

Fall 2018

Impact of Supportive Housing on Neighborhood Property Values: A Study of Two Campuses

William Bleckwenn
Iowa State University

Follow this and additional works at: <https://lib.dr.iastate.edu/creativecomponents>



Part of the [Real Estate Commons](#), and the [Urban, Community and Regional Planning Commons](#)

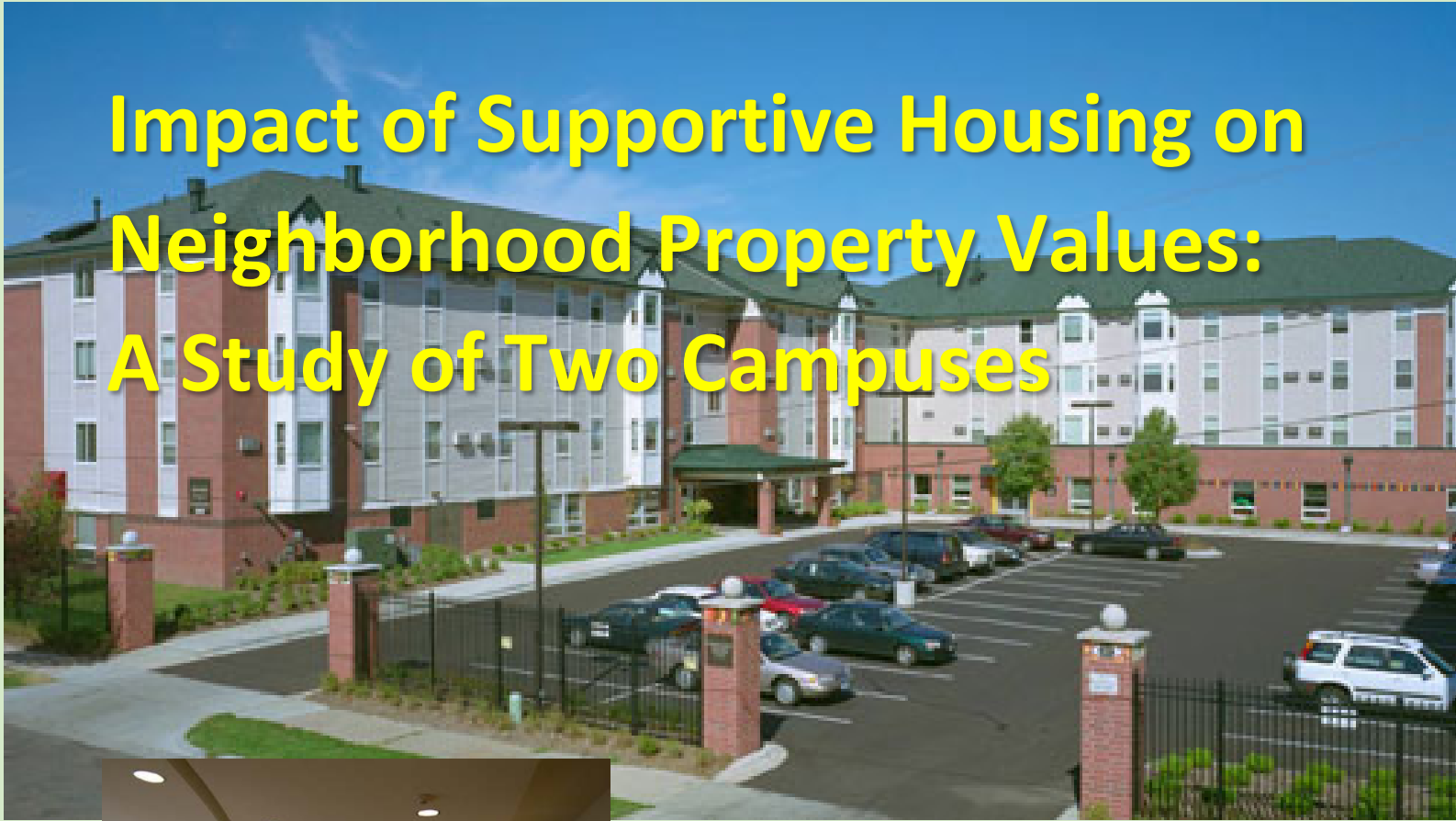
Recommended Citation

Bleckwenn, William, "Impact of Supportive Housing on Neighborhood Property Values: A Study of Two Campuses" (2018). *Creative Components*. 45.

<https://lib.dr.iastate.edu/creativecomponents/45>

This Creative Component is brought to you for free and open access by the Iowa State University Capstones, Theses and Dissertations at Iowa State University Digital Repository. It has been accepted for inclusion in Creative Components by an authorized administrator of Iowa State University Digital Repository. For more information, please contact digirep@iastate.edu.

Impact of Supportive Housing on Neighborhood Property Values: A Study of Two Campuses



This investigation was prepared by William Bleckwenn as a Creative Component in partial satisfaction of requirements for a Master's of Science Degree from Iowa State University, Fall 2018.

Photographs from jeremiahprogram.org

Contents

| | |
|---|----|
| Impact of Supportive Housing on Neighborhood Property Values | 5 |
| Acknowledgements | 5 |
| Abstract | 5 |
| Executive Summary | 6 |
| Background..... | 7 |
| Literature review | 10 |
| Research Question..... | 12 |
| Research Strategy | 12 |
| History of Sites..... | 14 |
| Minneapolis Campus Background | 14 |
| History and Redevelopment in Minneapolis | 17 |
| St. Paul Campus Background | 18 |
| Redevelopment Strategies in St. Paul | 27 |
| Methods and Approach to Data Analysis | 27 |
| Results from Data Analysis | 31 |
| Summary of Results..... | 38 |
| Use of Reported Median Home Values over Study Period to Verify Study Finding..... | 44 |
| Discussion | 45 |
| Geographic and Temporal Factors | 45 |

| | |
|--|----|
| Socio-economic Factors..... | 47 |
| Local, Maintenance, and Security factors | 49 |
| Size of facilities | 50 |
| City Redevelopment Strategies | 51 |
| Neighborhood Amenities | 52 |
| Community Capitals..... | 52 |
| Conclusion | 53 |

LIST OF FIGURES

| | |
|---|----|
| Figure 1: Non-white population by Census Block, Minneapolis, 2010..... | 16 |
| Figure 2: Delineation of Jeremiah and Control Neighborhoods and Services, Minneapolis | 22 |
| Figure 3: Delineation of Jeremiah and Control Neighborhoods and Services, St. Paul | 23 |
| Figure 4: Population depicted by Race, Minneapolis and St. Paul, 2010 Census..... | 24 |
| Figure 5: Valuation by Neighborhood, Mean values..... | 33 |
| Figure 6: Growth in Mean Valuation by neighborhood compared to Minnesota and National Trends..... | 34 |
| Figure 7: Local, State, and National Median Home Values 2010-2018..... | 35 |
| Figure 8: Rate of Growth by Neighborhood, Mean Values..... | 36 |
| Figure 9: Growth in Valuation by Neighborhood, 20-Year Average Rate For Mean Values..... | 37 |
| Figure 10: Neighborhood Median Valuation Growth Rates, Based on 1, 2, 5, 10, and 18 year returns..... | 38 |

| | |
|--|----|
| Figure 11: Post-construction Property Valuation Growth Rates, St. Paul: 2006-2017 | 41 |
| Figure 12: Post-construction Property Valuation Growth Rates, Minneapolis: 1998-2018 | 42 |
| Figure 13: Property Valuation Growth Rates: 1998-2018, St. Paul | 43 |
| Figure 14: Opportunity Atlas, Household Incomes | 48 |

Impact of Supportive Housing on Neighborhood Property Values

William J. Bleckwenn, Master's of Science Candidate, Iowa State University, Fall Semester 2018

This report has been prepared as the Creative Component in partial satisfaction of the Master's of Science requirements in the Community Development Program within the Community and Regional Planning Department of the College of Design at Iowa State University, December 2018.

Acknowledgements

I would like to acknowledge my advisory committee of Tim Borich, Ph. D., Major Professor, Jane Rongerude, Ph. D., and Julie Stevens, Ph. D., all faculty at Iowa State University for their expertise, counsel, and succinct guidance through this project. Most particularly, I would like to thank them for sticking with the moving target that this investigation became as a result of several curve balls, not the least of which was the withdrawal of my community of study after two years of collaboration. It has been my pleasure to work with you.

Abstract

Property valuation data were analyzed for two supportive campus sites for the same program for single mothers that are performing at different rates with regard to matriculation and graduation. The impact of these campuses on the valuation of neighboring residential properties was found to not have a negative impact. Property values were found to increase at a greater rate than nearby control neighborhoods. This provides an approach that the Jeremiah Program can provide to defuse neighborhood opposition against new campuses. By reducing neighbors' concerns, the program can increase the number of available sites to consider for development. The program should then adopt a policy of locating new campuses in high-opportunity neighborhoods that promote advancement of its residents by being in a more supportive neighborhood.

Executive Summary

The Jeremiah Program provides transitional housing and training for single mothers at two campuses within the Twin Cities, Minnesota metropolitan area. The two campuses are performing at different rates of success with regard to matriculation and graduation of residents. This study looks at property values of the immediate neighborhood of each campus, compares those values to values prior to the opening of each campus and to nearby control neighborhoods with similar demographics. Tax valuation data were obtained from County tax records, analyzed to assess trends in valuation, and mapped in a Geographic Information System project created for this investigation. Historical trends in property valuation were also obtained from outside sources. The results of the investigation indicate that the development of a supportive housing facility does not significantly reduce the valuation of neighboring residential properties. Secondly, valuation as an indicator of neighborhood impact cannot be extrapolated to explain the differing success of the two Twin Cities Jeremiah communities. Not only did Jeremiah neighborhoods show stronger growth in valuation than their control neighborhoods, they also outperformed their greater cities too. This indicates that in the case of these two campuses that they do not have a negative impact on property values.

The Minneapolis campus is located in a neighborhood mapped as a high-opportunity area, while the St. Paul campus is not. Published research indicates that locating such facilities within high-opportunity neighborhoods will have a greater benefit for the residents and provides a potential explanation for the difference in performance between the two campuses. This will also have a positive impact on increasing human, built, financial, and political community capitals. The Jeremiah Program should consider developing an approach that publicizes the positive impact of its facilities on neighboring property valuation so that it can increase the number of potential campus sites that have lower political resistance. By increasing the number of favorable candidate sites, it can increase its chances of finding locations within high-opportunity areas.

Background

Two campuses of a transitional residential community program for single mothers are performing at different rates of success within the same metropolitan area of the Twin Cities, Minnesota. The program administering these campuses is looking to find potential causes of the discrepancy in admission applications to the program, and graduation rates. Jeremiah Program is a faith-based program that focuses on providing housing and life training for single mothers to attain college degrees, and equip them with skills in child care, household management, finances, job interviewing and training, and family care (personal communication with Jeremiah staff, December 12, 2016). Jeremiah Program offers successful strategies for transforming families from poverty to self-sufficiency by improving lives for mothers and children. It prepares single mothers to succeed professionally, readies their children to succeed scholastically, and reduces the need for enrolling in public assistance. It has developed a holistic approach that establishes a supportive environment and housing community for goal-oriented single mothers to pursue a career-track, college education.

Through a combination of providing early childhood education, a safe and affordable place to live, and empowerment and life skills training, families find stability and a path out of poverty (Jeremiah program website). Jeremiah has seven campuses in five states, however one of its biggest disparities in performance is at its two campuses that are in the closest juxtaposition. They are within six miles of each other in the Loring Park neighborhood of Minneapolis and the Rondo neighborhood of St. Paul, Minnesota (Jeremiah Program website).

The Jeremiah Program does not fully subsidize its residents. Residents provide 30% of their incomes as rent. They are responsible for their own food and transportation. Residents work and attend college. The program provides child care and early childhood education. Residents have freedom to leave the campus as needed, but a late evening curfew exists, as do restrictions with visitors to the facility. They are secured facilities, and staff monitors access at a front desk.

The residents are single mothers of varying ages and their children. They must have an income and be enrolled in a college or vocational school curriculum. Adult residents sometimes come through the relationship that Jeremiah has with local Alcoholics Anonymous chapters. Approximately two-thirds of residents own their own vehicles. Mothers are encouraged to focus on family, school, jobs, and skill-building. The campus is not set up to accommodate significant others.

The campus layouts and their relationship to the neighborhood differs between locations. The Minneapolis campus has an urban setting and has little green space. The L-shaped building is oriented to the south and east toward Loring Park, and the nearby colleges, and welcomes the neighborhood into the campus. St. Paul, on the other hand, closes itself off from its neighborhood. The neighborhood has a much lower density than Loring Park, but the campus turns its back to the nearby residences. It is a linear facility that opens onto the Interstate



Minneapolis campus, opening into neighborhood



St. Paul campus opening onto I-94 frontage road

94 frontage road, but has no other access from neighborhood streets or alleys. The back side of the campus has a high metal picket security fence and is also separated from neighbors by an alley. St. Paul lacks any signage that identifies it by name or function, however Minneapolis has a small sign at the front driveway. The most

noticeable aspect of the entries of each campuses is the use of primary colors in small elements in the façade at the entrances of the Minneapolis facility. St. Paul lacked that kind of playfulness and welcoming nature for families.

The program had engaged Augsburg College to look internally at its programming at its two campuses to see if there were discrepancies in the application of its program standards. Variables to be reviewed included levels of staffing, staff application of program standards, resident population, and specific issues to each location (personal communication, 6/6/17). While the results of that investigation are not available yet, the community decided review the physical environment and its relationship to the performance of the residents. Taking this one step further, the program agreed to investigate the impact of the neighborhood on the performance of the program residents, or if the presence of the Jeremiah community had an impact on neighborhood perceptions. An ex-post facto approach would conduct a post-occupancy evaluation of site facilities and neighborhood services. An inventory of physical features would be followed with surveys of resident mothers and staff to understand perceptions and usage of site facilities and nearby services. Responders were to be questioned about utility, convenience, and safety of the features of each of the two Jeremiah campuses. This investigator had contacted the program to begin the process of collecting data from the residents about neighborhood context in order to inventory the neighborhood assets such as retail, medical, family support, school, and recreational services that are available to residents in each community. In addition, the information from surveys and focus groups with residents and staff would be coded to qualitatively assess what neighborhood assets were available, and how they played a role in their lives at Jeremiah. This investigator started working with the community over a two-year period, and had set up research methods that were approved by Jeremiah administrators. However, Jeremiah had to withdraw from the research project in Spring 2018 due to internal staffing losses and other issues.

With a limited time window available for completing a study of the physical context of the two campuses, the investigator decided that examining the relationship of the physical environments of the two campuses to their graduation success should avoid working with human participants due to the complications of obtaining approval from the ISU Institutional Review Board. In collaboration with the investigator's faculty advisor, we determined that an inquiry into property valuation trends may provide some insight into the relationship of each community with its neighborhood. Specifically, the impact of supportive housing on the value of surrounding homes would provide important information to the neighborhood and the program. In addition, valuation trends within the neighborhood also have reverse implications for the Jeremiah residents with regard to desirability of the neighborhood to them as indicated by the presence of retail, services, accessibility, and proximity to education and job centers. The potential impact that Jeremiah may have on nearby property valuations, and potential elevating impact that the neighborhood may have on Jeremiah can be explained within the Community Capitals Framework advanced by Flora and Flora (Flora, 2013). Jeremiah has improved the human and built community capitals, while supportive neighborhoods may elevate human, social, and political capitals for its residents.

Literature review

Perceptions can have a powerful impact on how communities function. To assess whether the neighborhood residents' fears of transitional or supportive housing facilities are based on fact, this research attempts to determine the neighborhood impacts of supportive housing programs on property value. (Cook, et.al.,1997). A number of studies indicate that there is no correlation between the opening of supportive housing communities and the long-term reduction of value of neighboring residential properties. Studying seven group homes in suburban Chicago, investigators found that group homes do not adversely affect neighborhood property values in three out of four studies. The fourth study concluded that the model, and not the data, drove the statistical results (Colwell, 2000). In addition, a study of 13 supportive communities in greater Omaha indicated that these

facilities did not have a negative impact on neighboring residential properties based on length of listing time or sale-to-list ratios (Carey, 1983). Carroll and Clauretie analyzed 13 supportive housing communities in greater Las Vegas, Nevada and found that low-income and senior housing had a small depressive effect on the nearby housing market initially, but it disappeared within one year of opening. The study also discussed that supportive housing communities typically renovate or rebuild blighted properties and provide an additional benefit for neighboring properties. (Carroll, 1999).

Findings from Galster (Galster, 1999) support this trend in that transitional housing does not suppress proximal property valuation. A negative impact was found only within the following scenarios:

- smaller transitional communities of less than 25 dwelling units were added to a neighborhood
- locations in very low-income, predominantly African-American communities
- locations in very high-income, single-family neighborhoods.

Galster et.al. also cites that supportive housing campuses may favor the selection of sites within low-income neighborhoods due to the favorable economics of site development. This may also have implications as Galster also cites increased disorderly conduct calls with larger supportive facilities, most notably in low-income and/or predominantly Hispanic neighborhoods. Other research conducted in the last 40 years indicates that lack of impacts to nearby property values is not just a recent trend. Hargreaves found that in four neighborhoods in New Zealand, in reviewing variables such as distance from supportive housing, and other building data, that there was no significant impact on housing values. (Hargreaves, 1998). In 1979, a similar conclusion was reached when supportive group homes were analyzed for potential impacts to nearby housing valuation in Ottawa, Ontario. Properties were grouped into zones based on distance, and found to not have any impact on residential value or marketability. (Gooddale, 1979).

The Equality of Opportunity Project (EOP) has mapped opportunity zones that are areas that have a significantly higher rate of upward mobility to achieve a higher level of income. One of the theses that the EOP advances is that constructing public housing in low-poverty/high-income areas has an enhanced capacity of improving neighborhood residents' lives. Factors that vary geographically thereby contributing to this disparity are: segregation, income inequality, local school quality, social capital, and family structure.

(<https://www.businessinsider.com/income-inequality-upward-mobility-map-us-2018-2>). Applying this concept to this study, clearly this approach would favor Loring Park over Rondo for promoting the upward mobility of residents of the two Jeremiah campuses. However, it should be noted that this study also indicates a reverse relationship with regard to neighborhood's impact on the Jeremiah residents.

Research Question

The investigation focuses on whether the development of such a facility by a supportive housing provider significantly reduces the valuation of residential properties in its vicinity. Nearby residential areas will be used as controls to examine long-term valuation trends in both the immediately neighborhoods surrounding the campuses and the control neighborhoods. Valuation trends will be assessed before and after facility opening where data are available. Pending the outcome of the valuation assessment, a review of factors will be provided that may be worth consideration in the siting of future facilities for the Jeremiah Program that would place future facilities in higher opportunity areas.

Research Strategy

The research approach will assess the community's relationship with its environs by looking at property valuation adjacent to each campus and within a nearby Control Neighborhood that will be used as a baseline of valuation.

In addition, the investigation will review of factors that may improve a community's success based on qualities of high-opportunity neighborhoods.

For the purposes of this study, higher opportunity neighborhoods will be defined in a similar manner as opportunity zones. The definition is defined as affordable neighborhoods that have a close proximity to jobs, and have a high proportion of workers within the neighborhood, instead of just being in a nearby neighborhood. Not all higher-opportunity neighborhoods may or may not have higher costs of living. According to the authors of the Opportunity Atlas (Opportunity Atlas, 2018), creating pathways to opportunity need not require reproducing conditions in affluent neighborhoods. They suggest that the distribution of housing vouchers to higher-opportunity areas, placement of preschool programs, or eligibility for local programs or tax credits could be informed by these data.

It is commonly believed that property values are an indicator of the quality of life in a neighborhood. Amenities and services also contribute to that perception and are factors that affect the value and marketability of properties in the neighborhood. These can be addressed by such things as the proximity of the property to employment and amenities, employment stability, appeal to the market, changes in land use, access to public transportation, and adverse environmental influences are factors that impact the market value of properties (Fannie Mae, 2018)

Perceived impacts to the quality of a neighborhood may threaten property values since those are also partially based on perceptions (Cook, James. 1997). Therefore, changes in the neighborhood brought about by new land uses or new communities may be feared to automatically generate lower property values, which is perpetuated by opponents of those new land uses.

History of Sites

Minneapolis Campus Background

The Jeremiah Program's first housing facility was constructed in the Loring Park neighborhood of Minneapolis in 1998 (Hennepin County online property records, 2018) with 39 dwelling units. Loring Park has a diverse history with a mix of ethnic and sexual minorities. Always a desirable neighborhood for the working and professional classes, it saw a substantial gentrification process that began in the early 1980s. University of Minnesota geographers Lanegran and Martin have designated Loring Park as a *Turnaround Zone*. (Martin, 1983).

Turnaround zones are older neighborhoods in the Twin Cities that are characterized by substantial reinvestment from high-end condominium and townhouse construction, rehabilitation of older housing stock and restoration of period structures.

With its location near amenities such as the Walker Art Center and Sculpture Garden, former Guthrie Theatre, Orchestra Hall, Peavey Plaza, and numerous churches, it has been a magnet as a place to live. Greater Loring Park fell into decline in the 1950s, and was targeted for redevelopment by the City (City is capitalized as a proper noun when it is referred to as a decision-making governmental entity). The City adopted a unique approach for this area by promoting redevelopment by luring upper-income residents back to downtown or near downtown. After two decades of planning, the City implemented, for the first time, tax incremental financing as a redevelopment tool (Martin, Lanegran, 1983). The response was more than favorable as redevelopment has proceeded continuously into the 21st Century with numerous skyscrapers of market-rate housing having been built in close proximity to the Jeremiah campus. In addition, Minneapolis in general has seen greater growth in commercial, office, and residential sectors than most of the metropolitan area including downtown St. Paul, particularly within the downtown core areas (MPF Research, 2016). The population of the Loring Park neighborhood continues to shift toward upwardly mobile urban professionals of varying age groups.

Loring Park may be historically characterized as being on the fringe of downtown Minneapolis, originally composed of multistory brick or brownstone apartment buildings and mansions, with a mix of incomes surrounding the Loring Park greenspace, the largest of the few open spaces near downtown. The neighborhood has historically been known for being home to 19th century businessmen, the working class, and entry level workers, and later on, gays, and Native Americans. Beginning in the early 1980s, large sections of the neighborhood were razed for urban redevelopment that included high-rise condominium towers such as Loring Green and 1401 Grant, pedestrian malls, low-rise townhouse developments such as Greenway Gables, and the expansions of the Minneapolis Community and Technical College (MCTC), Metro State University, St. Thomas University, Dunwoody Vocational Institute, and Minneapolis College of Art and Design (MCAD). In recent years, the neighborhood has seen renewed redevelopment with the construction of the Laurel Village high-rises that provide market-rate apartments for downtown workers and MCTC and MCAD students. Some of the original brownstones remain that provide working class housing, but this affordable housing stock is diminishing as they are converted to condominiums. Loring Park neighborhood is a popular neighborhood due to its close proximity to downtown and numerous restaurants and services, however it has poor connections to other parts of the city as it is hemmed in by Interstate 94 to the south and west, and Interstate 394 to the north.

It is important to compare the results of property valuation growth between the Jeremiah Neighborhood and a comparable Minneapolis neighborhood—a Control Neighborhood was selected that has a similar relationship to the periphery of downtown Minneapolis, and to colleges, freeways, and parkland. The neighborhood that provides a similar mix of land uses is the next three-block-wide concentric ring around the Jeremiah study neighborhood (See Figures 1, 2, 3). This neighborhood was selected for its potential to have similar demographics as it is also urban in location and function. (It should be noted that the attached results maps show a smaller number of properties graphically, but in some cases, a single lot may depict a multi-story condominium tower with a larger number of properties for valuation study than the map indicates). Due to the

uniqueness of the neighborhoods radiating from downtown, no other communities could provide comparable demographics regardless of the direction from downtown, so the perimeter of the study neighborhood was selected as a control neighborhood.

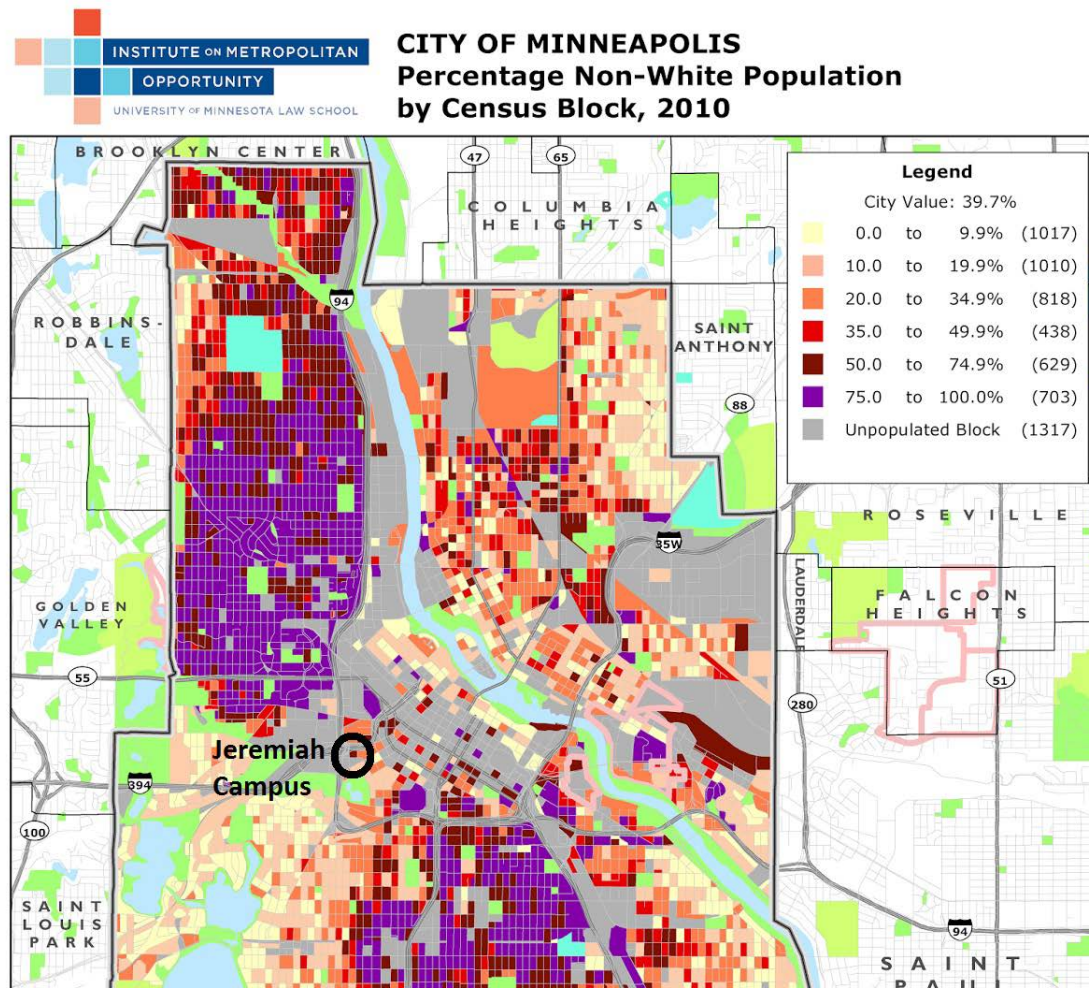


Figure 1: Non-white population by Census Block, Minneapolis, 2010

The Loring Park neighborhood has had a greater diversity of incomes than its study counterpart, the Rondo neighborhood of St. Paul, even though the affluent Summit-Grand and Cathedral Hill neighborhoods abut Rondo. Loring Park also abuts the affluent neighborhoods of Kenwood, Clifton Hill, Lowry Hill, and Downtown

Minneapolis. However, racial and economic diversity continues to decline in Loring Park due to gentrification and loss of housing from land use conversion. While lower income neighborhoods are also in fairly close proximity to Loring Park, the number of services provided by the neighborhood greatly exceeds those provided by the Rondo neighborhood.

History and Redevelopment in Minneapolis

Researching the history of each site has confirmed that the Cities of Minneapolis and St. Paul have put together very different strategies to neighborhood redevelopment of Loring Park and Rondo. As stated earlier, Loring Park has had a mostly on, and sometimes off, reputation as a desirable neighborhood on the edge of downtown Minneapolis. Residential development particularly increased with the construction of Loring (nee Central) Park itself. A mix of densities, with rowhouses to the east and mansions to the south in Lowry and Clifton Hills were constructed at the turn of the twentieth century. Multi-unit apartment buildings and rooming houses were constructed to the north, east and south of the parkland for the next 20 years or more. These were smaller units that accommodated single workers better than large families. Even with societal shifts during the Depression and World War II, Loring Park remained in vogue for single workers, particularly those that were not recent immigrants. As the neighborhood's housing aged, the area started to decline in the 1950s. City leaders discussed whether the neighborhood should be deemed to be "blighted" and subject to extensive urban renewal. Then came the construction of Interstate 94 through the neighborhood that included a three-level interchange on top of a six-lane tunnel that was viewed as a facilitator of redevelopment at that time.

The City considered being the lead developer of publically-funded urban renewal projects. However, due to the neighborhood's location on the edge of downtown, with many cultural amenities, it maintained a popularity with certain groups particularly entry-level workers and gay men. This gave the area a jump start when the City was creating a broader redevelopment approach in the 1960s and '70s. The City realized that an amenity-

recognizing approach that targeted and facilitated private development would provide the desired housing for the upwardly mobile. It engaged a relatively new technique of Tax Increment Financing to promote private development of townhouses and high-rise condominium towers targeting singles and couples that would appreciate the nearby cultural amenities.

By deferring property taxes for an initial post-development period to increase the developer's financial feasibility of a project, the City counted on the future capture of increased tax revenue to fund services and the new infrastructure required once the deferment period ended. Investment in the infrastructure itself, Loring Park, and creation of a system of pedestrian malls, plazas, and greenways to move pedestrians to downtown also increased the desirability and developability of greater Loring Park neighborhood. Existing lower-income residents feared the gentrification, and in many locations, for good reason (Martin and Lanegran, 1983). While some provisions for senior, workforce, and low-income housing have been made since the redevelopment started in the 1970s, most of the constructed housing has been market-rate or high-end. While many would view Loring Park as a redevelopment success story, there are those that are finding it to be increasingly difficult to afford living there. As a result, Minneapolis has typically seen a greater market pressure than St. Paul. Minneapolis prices tend to be approximately 10% higher than St. Paul. However, the lower housing prices in St. Paul have increased demand in its more affordable neighborhoods, thereby driving up the market for the cheaper housing.

St. Paul Campus Background

The St. Paul campus of the Jeremiah Program was built in 2005 with 38 dwelling units. It is located in a primarily residential neighborhood at the southern edge of 8-lane Interstate 94 that connects the downtowns of St. Paul and Minneapolis. The neighborhood is historically known as the Rondo neighborhood and was the heart of the African American community in St. Paul in the 1950s and 1960s. It lost much of its symbolic importance to the

Black community when a one-block wide swath was cleared across the western half of St. Paul to construct I-94 in the mid-1960s, displacing thousands of residents. The freeway fractured the community in ways from which it has not fully recovered in the fifty years since it was constructed. This is reflected by the patterns of redevelopment and valuation exhibited within the greater area. As one travels quickly south toward the highly desirable Summit Avenue-Grand Avenue corridor, property values increase dramatically. Redevelopment and reinvestment in housing stock becomes more apparent as one heads away from the immediate Jeremiah Neighborhood. Likewise as one travels easterly toward the historic Cathedral Hill/Crocus Hill/Ramsey Hill neighborhoods, property values increase, as does private ownership and owner occupancy. Historic mansions and townhouses have been subdivided into more manageable upscale condominiums. The Jeremiah Neighborhood lacks the critical mass of historic appeal and vintage architecture that neighborhoods to the south and east possess. Therefore, it has been bypassed by investors and gentrifiers.

Less desirable land may have provided the basis for the Jeremiah Program to select this site as it had greater redevelopment potential due to the lower general valuation of the immediate neighborhood and also having a location within a part of St. Paul that would serve nearby neighborhoods in need (Galster et. al, 1999). The campus required the assembling of the equivalent of 13 single-family lots to create a site large enough to meet the needs of the program. This may have been more challenging in the more-expensive neighborhoods to the south and east. The site chosen by the program in Minneapolis had a more compact configuration as does the campus layout. Assembling multiple parcels was a greater challenge in the denser urban fabric of Minneapolis, and St. Paul provided greater expansion opportunities (personal conversation, 10/10/2017).

The immediate neighborhood remains a mix of social and ethnic groups. Some of the pre-freeway members of the Rondo neighborhood have remained, particularly some of the African-American community. The Rondo neighborhood has not been targeted for massive redevelopment as the Loring Park neighborhood has by

Minneapolis. However, some low-density supportive housing communities have been developed by the City in the neighborhood.

The neighborhood demographics have more recently shifted to include more working class and middle class whites, and to the north of I-94, a greatly increased number of Asian residents, most notably from the Hmong regions of Laos and Viet Nam (US Census Bureau website). While this area does not have the close proximity to a downtown that its Minneapolis counterpart does, it is located along a Light Rail Transit line that provides a direct connection to either downtown. As redevelopment occurs along the new LRT Green Line along University Avenue, seven blocks to the north, changes continue to occur within the neighborhood. This area has been a growing commercial corridor for the Asian communities within the last 30 years, however, the Green Line is sparking high density redevelopment that may force out working class residents and businesses. In the five years since the opening of the Green Line, \$4 billion of low- and mid-rise residential and retail redevelopment has occurred along the corridor, but this type of redevelopment has not been constructed as far south as the Jeremiah Neighborhood. (Metropolitan Council, 2018). Of the 6,388 new housing units built between downtown Minneapolis and St. Paul along the Green Line between 2011 and 2016, about 20 percent have been designated as affordable, with those units being more recently constructed. (Minneapolis Star-Tribune) Studies indicate that properties within ¼ mile of an LRT station experience an increase in valuation. Beyond that, there is no impact on property values. (Al-mosaind) The closest point of the Jeremiah Neighborhood still exceeds one-quarter at 1,700 feet aurally distant from the LRT line. In addition, I-94 provides a barrier that requires a longer diversion around it due to few pedestrian crossings of the freeway. Therefore, the LRT most likely does not impact property values abutting the Jeremiah site or the Control Neighborhood. It is also noted that due to these different development forces north of I-94 that it was determined that this would not make a good Control Neighborhood for study.

The St. Paul Jeremiah and Control Neighborhoods have the following additional differences from the Minneapolis study neighborhoods.

- The St. Paul study neighborhoods do not abut downtown St. Paul or Minneapolis.
- No colleges are directly located in the Jeremiah neighborhood, one college is located in the Control Neighborhood.
- Housing density is much lower. There are no condominium or apartment towers in the St. Paul study neighborhoods, and the majority of housing is composed of detached single-family houses. Property valuation is best maintained for dwellings in neighborhoods of like value and construction (Bankrate.com). This is more representative of Rondo over Loring Park since Rondo's housing stock has a more consistent valuation.
- Community services occur at a lower density. These facilities types were mapped for the St. Paul and Minneapolis campuses (Figures 2 and 3): medical services, grocers, child care services, places of worship, restaurants, other retail/pharmacies. Only medical services occurred at a higher density in St. Paul, and these were located just outside the study neighborhood. Otherwise, the Minneapolis neighborhood showed a higher frequency of community services. Mixed-use neighborhoods have characteristics that increase demand by being able to provide easy access to employment centers and transit, a mix of retail and residential uses, and provide a high level of community activity. This can raise the market value of nearby properties—as can most likely be observed in Loring Park (Fannie Mae Appraisal Report, 2018).
- St. Paul study neighborhoods have a greater presence of African-Americans and Asian-Americans than the Minneapolis study neighborhoods. In addition, Rondo has had a history of being less organized politically. As a result, City policies may have favored redevelopment elsewhere. Galster reported that African-American communities' property valuation may be one of the communities susceptible to impacts from a supportive housing community. Ethnic population density is shown in Figure 4.

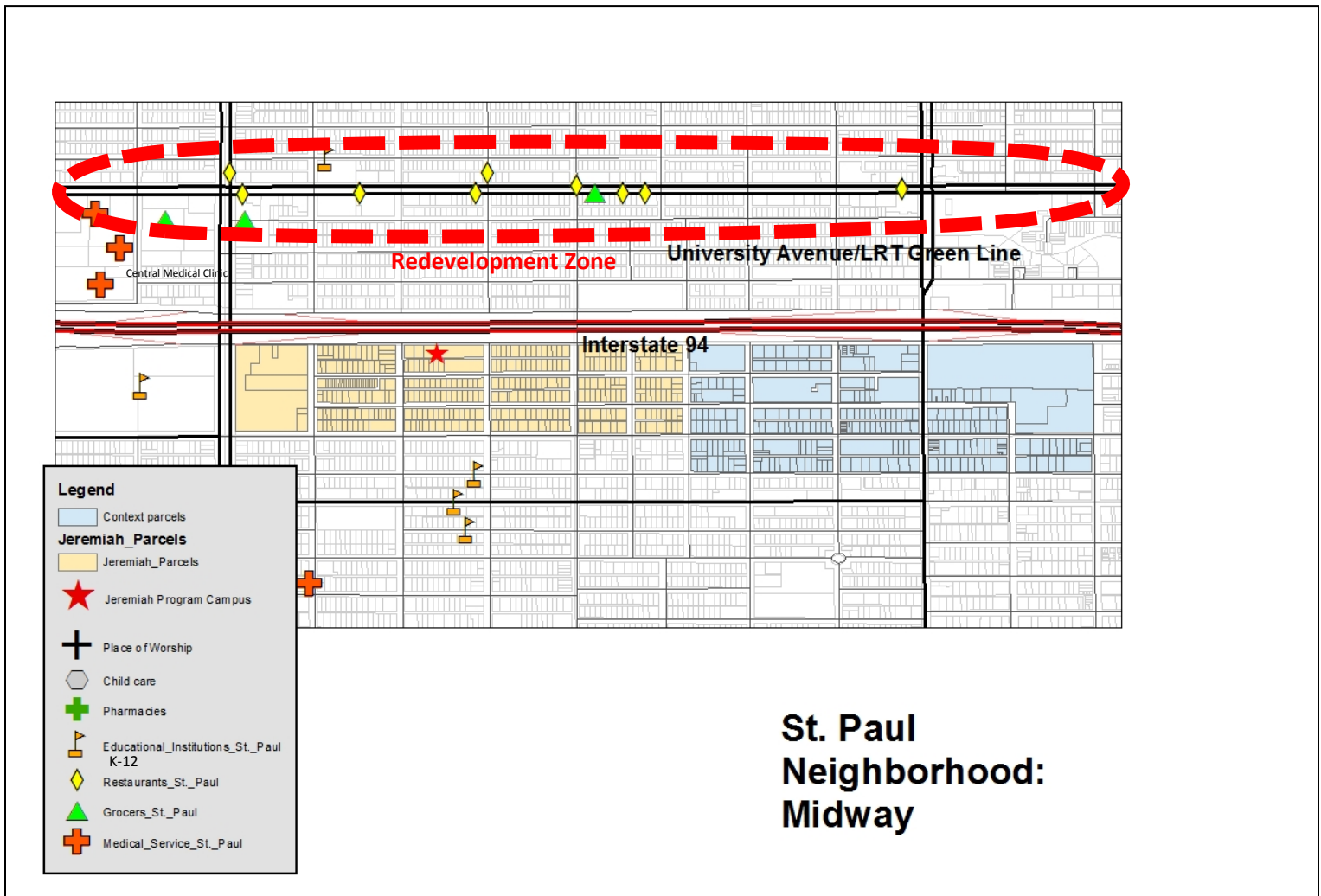


Figure 2: Delineation of Jeremiah and Control Neighborhoods and Services, St. Paul

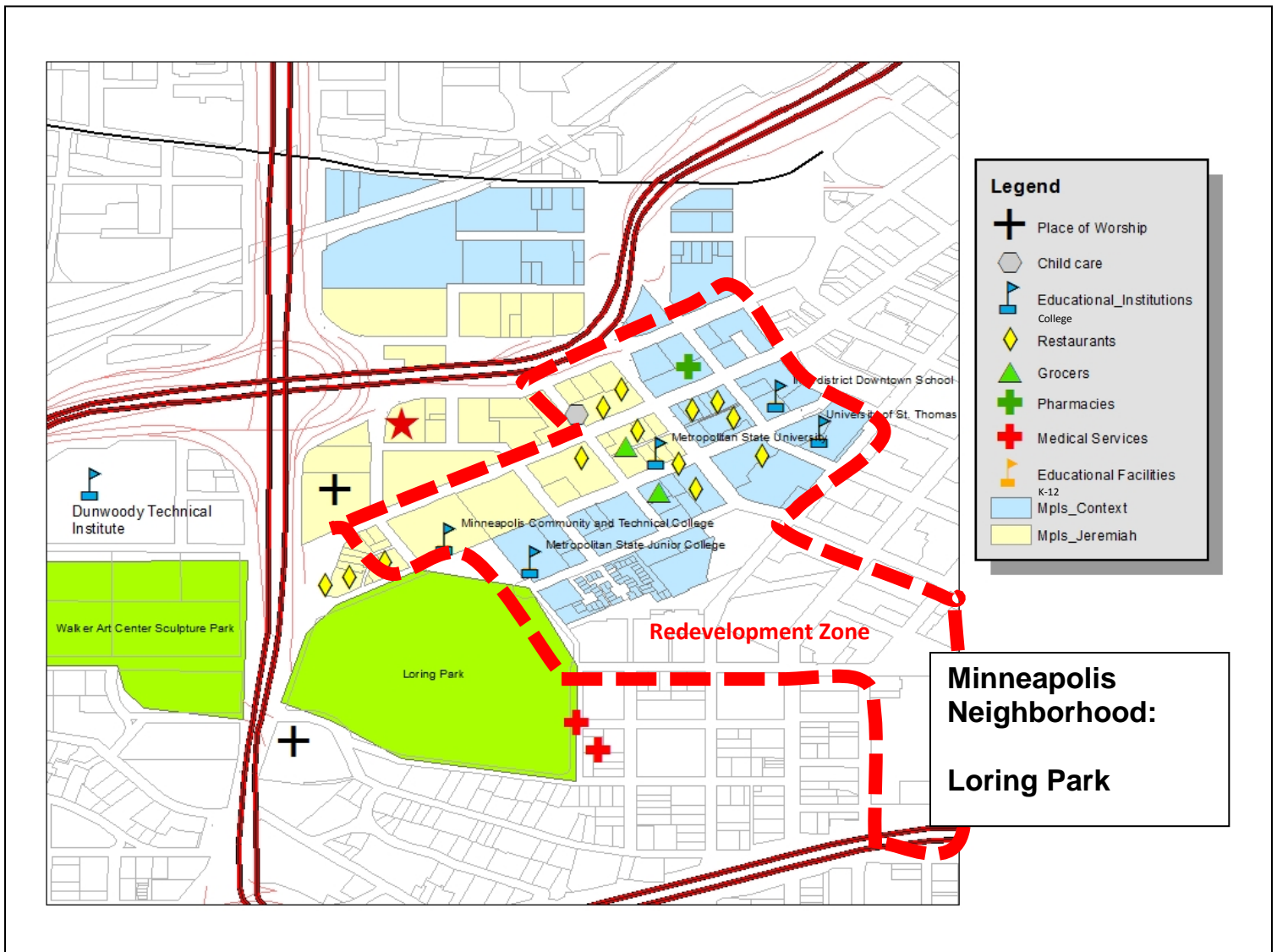


Figure 3: Delineation of Jeremiah and Control Neighborhoods and Services, Minneapolis

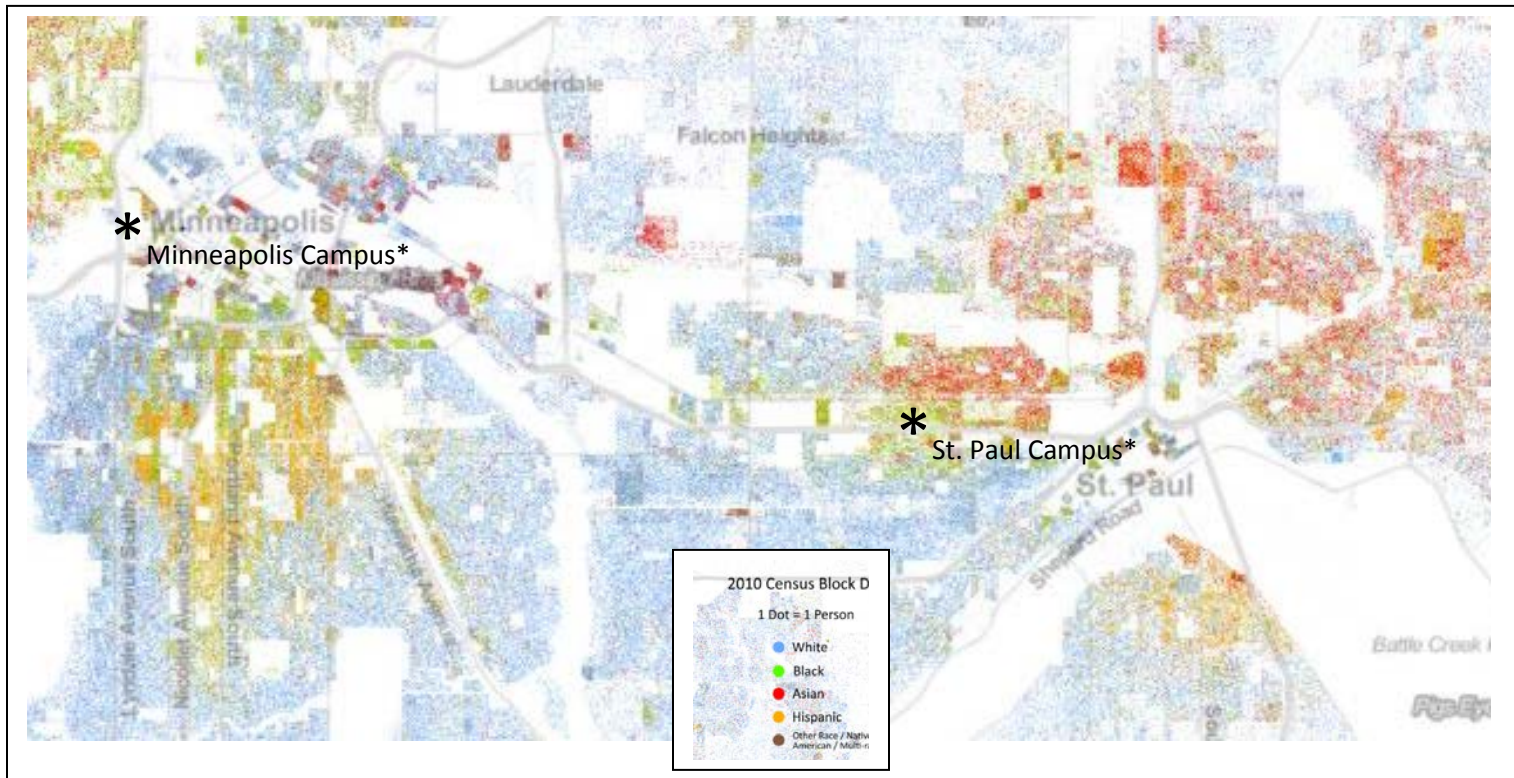


Figure 4: Population Depicted by Race, Minneapolis and St. Paul, 2010 Census

Source: University of Virginia Demographics Group

Other demographic data (Table 1) for the two Jeremiah neighborhoods indicate that Minneapolis Loring Park households earn the same amount of income as St. Paul Rondo residents, however household income is split among a much higher average number of residents per household, thereby reducing the *per capita* income. Interestingly, while Loring Park is more affluent, employed, and educated, it also has lower rates of home ownership, higher crime rates, and better academic performance of its children.

The study delineated the Jeremiah and Control Neighborhoods in a manner that would provide some consistency in housing, demographic, and socioeconomic conditions. As previously mentioned, there is a strong north-south gradient in income and demographics south of the Rondo campus. This limits the southern extent of the Jeremiah and Control Neighborhoods, as the investigator desired to keep study neighborhood characteristics as uniform as possible. The Control Neighborhood was selected with a similar configuration and relationship to Interstate 94 to the north, and has a narrow north-south dimension in order to limit the influence of wealthier neighborhoods along Summit Avenue. It was delineated in a manner to provide a similar number of properties as the Jeremiah Neighborhood. While neighborhoods increase in value as one travels east, the Control Neighborhood still maintains many of the same characteristics as the Jeremiah Neighborhood.

Table 1

Demographics of Study Neighborhoods in Minneapolis and St. Paul

| | Minneapolis Jeremiah | Minneapolis Control | St. Paul Jeremiah | | | St. Paul Control |
|--|-------------------------|------------------------|----------------------|------|-------|---------------------|
| Median household income | \$61,090 | \$56,721 | \$41,023 | | | \$60,722 |
| Per capita income | \$56,901 | \$35,934 | \$16,971 | | | \$20,428 |
| Unemployment rate | 2.8% | 8.9% | 9.7% | | | 10% |
| Percent with college degree | 74.0% | 50.4% | 21.9% | | | 43.5% |
| Crime rate (violent and property crimes per 1,000 residents) | 110.05 | 100.14 | 63.35 | | | 51.1 |
| Children living in poverty | | | 58.1% | 0.1% | 51.7% | 55.2% |
| Public School Test Scores: Proficiency in Reading and Math | | | 41% | 41% | 36% | 36% |
| Home ownership rate | | | 25.2% | 10.7 | 50.0% | 52.1% |
| Ethnicity: | | | | | | |
| % White | | | 45.0 | 64.9 | 19.0 | 78.7 |
| % African-American | | | 34.4 | 18.2 | 45.7 | 4.4 |
| % Native American | | | 3.6 | 1.0 | 1.8 | 0 |
| % Asian | | | 2.5 | 11.2 | 20.1 | 7.3 |
| % Latino | | | 4.0 | 2.7 | 7.8 | 8.0 |
| % Other | | | 10.4 | 1.9 | 5.6 | 1.7 |
| Family profile | | | | | | |
| Percent family type: | | | | | | |
| One-person household | | 61.4 | 46.3 | 22.8 | 24.5 | |
| Same sex partners | | 1.3 | 1.1 | 0 | 1.1 | |
| Married couple with child | | 2.9 | 5.5 | 14.0 | 15.8 | |
| Single parent with child | | 1.8 | 0.1 | 25.7 | 12.7 | |
| Data sources: US Census Bureau, Location, Inc. | | | | | | |

Redevelopment Strategies in St. Paul

The story of redevelopment in Rondo is very different. While St. Paul has a similar cultural district of theatres, event centers, and libraries on the edge of its downtown, it is not close to Rondo. Rondo clearly lacks the amenities enjoyed by Loring Park. Rondo has somewhat close access to transit to reach either downtown and the University of Minnesota, but it does not have the internal destinations and resources that would have made it a highly sought-after neighborhood. The routing of Interstate 94 through Rondo in the 1960s was partially a function of path-of-least-resistance planning as the neighborhood had lacked the political capital to deflect the highway, much less to be able to effect public investment beyond a few scattered public housing high- and low-rises (Martin and Lanegran). By classifying Rondo as an Aging Inner Ring neighborhood, Martin and Lanegran have delineated this as an area close to downtown that frequently—but not exclusively—was developed for 19th Century workforce housing. Sometimes Aging Inner Ring areas were developed as much more exclusive housing, but all share having a history of neglect and decline in the last several generations. The level of maintenance and refurbishment varies within each block, but the neighborhoods share a general lack of investment. Another common trait is the significant institutional presence of churches, hospitals, and learning institutions. The study Control Neighborhood for Rondo contains Concordia University, churches, and large medical clinics are located to the northwest of the Jeremiah Neighborhood. As part of the discussion of the results, a comparison of valuation in each neighborhood will address campus impacts to valuation in light of the redevelopment strategies implemented, or not, within them.

Methods and Approach to Data Analysis

Note: Direct tax valuation data for properties within the two cities had limited availability. The only years for which data were available for all neighborhoods in St. Paul and Minneapolis were 1998, 2014, and 2018. Data for the St. Paul control and Jeremiah Neighborhoods were also available for 2006. Additional data were requested from Hennepin County and other sources for 2006, but had not been received at the time of writing this study. Additional valuation data were obtained from outside sources such as the US Census Bureau, HUD, Zillow.com, and Location, Inc.

A GIS-based case study was created to understand the impact of a supportive housing facility on neighborhood property values. This focused on two campuses in their natural setting, and no factors will be manipulated as part of this study. This type of research design typically engages categorization and interpretation of data with regard to common themes, and synthesis into an overall understanding of the case subject. The independent variable is the location of property within a three-block radius of a Jeremiah facility. The dependent variable is the market-based valuation of the hundreds of residences. Based on other published papers, it was determined that radii of 500 and 1000 feet provided the best impact distances for this review. These distances were included within the dimensions of the Jeremiah neighborhoods. The control neighborhoods were selected for their similar characteristics, but were outside of these radii.

Three methods of analysis have been used for studying supportive housing's impact on neighborhood property valuation according to other published research. The control area approach, represented by Dear (1977), Wolpert (1975), Boeckh, Dear, and Taylor (1980), finds and compares neighborhoods that have similar demographics and physical characteristics, but one neighborhood has a supportive housing campus, and the other(s) do not. The difficulty of this approach is finding neighborhoods that are close to being identical with regard to demographics and physical setting, with the major variable being (e.g.) whether a transitional housing campus is present. Developers of this type of housing may have a bias toward land that has a lower development threshold due to its cheaper land value, which may affect the ability to find suitable "comp" neighborhoods. However, in this investigation this was determined to not be the case. While the developers chose aging inner city neighborhoods for both projects, the areas had different demographics, densities, and development histories, and suitable study and control neighborhoods could be found.

Another approach known as the pre/post approach, represented by Lindauer, Tungt, and O'Donnell (1980), Iglhaut (1988), and Boydell, Trainor and Pierri (1989), assesses property valuation trends before and after the

opening of a supportive housing facility within a neighborhood. The challenge with this approach is that it leaves room for other factors to affect property values. For example, economic conditions can change markedly after a facility has opened, which may not reflect the true impact a facility has on neighborhood valuation.

A third approach, the econometric approach, seeks to determine if there is a separate variable associated with proximity to supportive housing that may impact land valuation. This approach has not been successful in other investigations with accounting for idiosyncrasies found in neighborhood characteristics.

It was determined early in this investigation to conduct a combination of a pre/post approach combined with a control area approach. Since the two campuses were built at very different times with regard to the Great Recession, it became important to introduce a control that would provide information about the impact of the economic downturn on the neighborhoods independent of influences from supportive housing facilities. The control area investigation was able to sort neighborhood trends that were responding to the economy from those that may have been responding to other factors.

Property valuation data were obtained from the two counties' real estate valuation programs directly from the county websites for the years 2014 through 2018: Hennepin County's land mapper (Hennepin County Land Mapper website) and Ramsey County's Beacon land mapper (Beacon land mapper website). Historical property valuation data prior to 2014 are not publically available from either county and must be obtained through a search conducted by Valuation and Assessor's Department staff. Even then, Staff did not have access to data older than 1998. Data were obtained from Ramsey County for 323 properties in the Jeremiah Neighborhood, and 336 properties for the Control Neighborhood. Data were obtained from Hennepin County for 108 properties in the Jeremiah Neighborhood and for 111 properties in the Control Neighborhood. Due to the effort and expense of obtaining these data from staff, representative units were chosen from large, high-rise condominium

buildings, since change in valuation typically did not vary much from unit to unit within the same floor.

Properties that had been constructed since 1997 were not included in the analysis as baseline valuation information was not available for the first year in the study period. Likewise, non-profit institutional properties were also omitted as market valuation information was not maintained by either county for those properties. A GIS-based project was created for this investigation and spreadsheets of all obtained valuation data were created for each site. The spreadsheets were used to calculate mean and median values for each neighborhood and the compounded annual growth rates. Growth rates are shown in charts depicted in Figures 5 through 10. Figure 5 shows the mean property values for the study neighborhoods calculated from the data obtained from the Counties, with several median values listed as annotations. Figure 6 adds state and national trends to Figure 5. Figure 7 provides a comparison of median values of St. Paul, Minneapolis, Minnesota, and the USA from outside sources. Figure 8 shows the absolute growth rates, and clearly depicts the impact of the Recession on property values. Figure 9 shows mean values averaged over the 20-year study period. Figure 10 shows median growth rates for all neighborhoods starting from the same hypothetical value of 1.0. Growth rates were then linked to GIS mapping created for this investigation from the data spreadsheets to generate Figures 11 through 13.

Results from Data Analysis

Tables 2 and 3 provide summaries of the analysis of property valuation data. These tables summarize growth rates for different times within the study period. Table 2 focuses on data collected from the county taxation departments. Table 3 analyzes data obtained from outside sources.

Table 2: **ANNUAL GROWTH OR DEPRECIATION RATES**

Annual growth rates determined from analysis of data obtained from County by this investigation

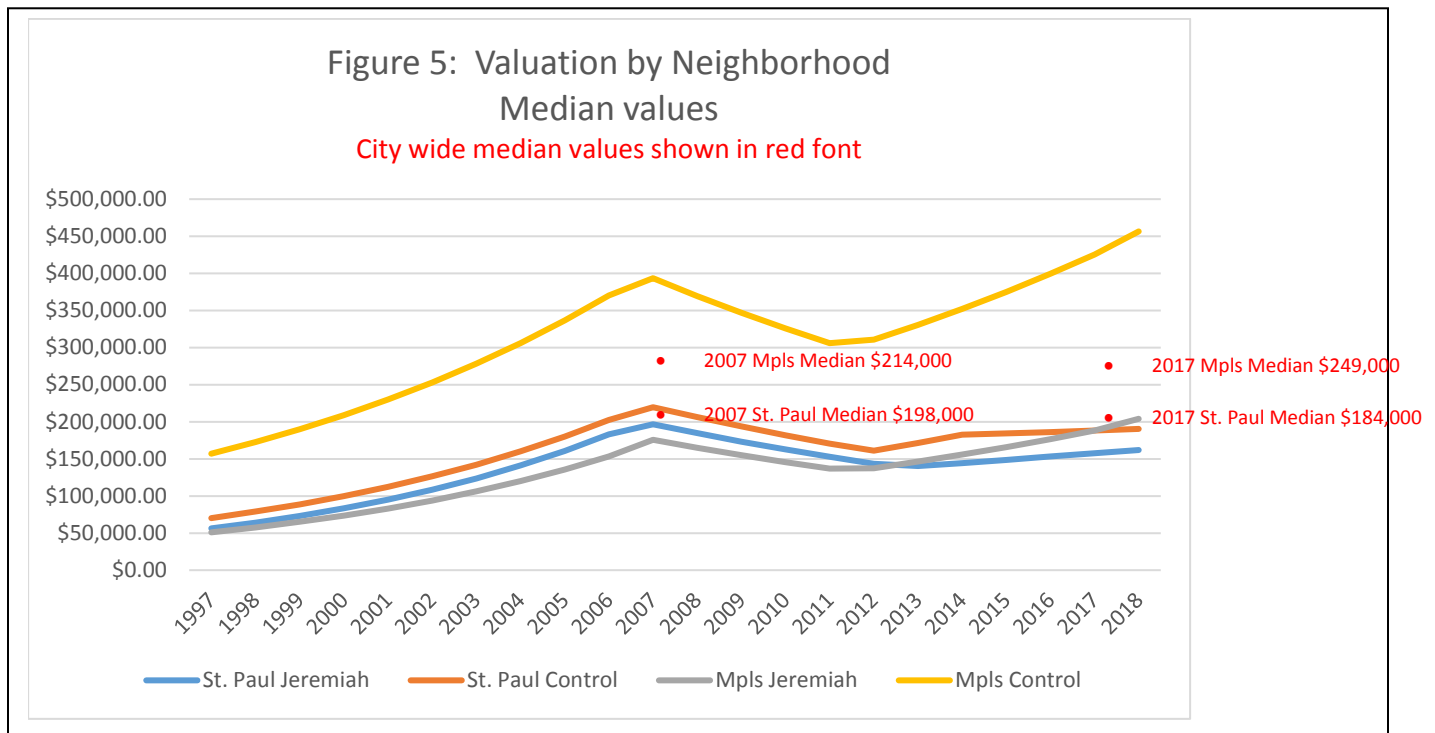
Mean values for neighborhoods derived from individual tax valuation data from Hennepin and Ramsey County Property Valuation data, and outside sources

| | ENTIRE STUDY PERIOD 1998- 2018 | POST OCCUPANCY PERIOD MINNEAPOLIS 1998-2018 | RECESSION DEPRECIATION 2007-2012 | POST OCCUPANCY PERIOD ST. PAUL 2006-2018 | POST RECESSION GROWTH 2008-2018 | CONTROL PERIOD 2014-2018 |
|-----------------------------------|--|---|--|--|--|--------------------------------|
| Mpls Control Neighborhood | 7.67% | 7.67% | | | | 7.0% |
| Mpls Jeremiah Neighborhood | 8.3% | 8.3% | | | | 8.3% |
| St. Paul Control Neighborhood | 7.1% | | | -0.085% | | 4.3% |
| St. Paul Jeremiah Neighborhood | 7.5% | | | -0.89% | | 7.4% |

Table 3: **ANNUAL GROWTH OR DEPRECIATION RATES**

Annual growth rates obtained from outside sources

| | ENTIRE STUDY PERIOD 1998- 2018 | POST OCCUPANCY PERIOD MINNEAPOLIS 1998-2018 | RECESSION DEPRECIATION 2007-2012 | POST OCCUPANCY PERIOD ST.PAUL 2006-2018 | POST RECESSION GROWTH 2008-2018 | CONTROL PERIOD 2014-2018 |
|--|--|---|--|---|--|--------------------------------|
| Mpls Control Neighborhoods | | | -6.1% | 1.2% | -0.52% - 0.52% | 1.85% - 3.08% |
| Mpls Jeremiah Neighborhood | | | -6.5% | 2.5% | 0.54% | 2.96% |
| St. Paul Control Neighborhood | | | -6.0% | | 1.14% | 5.86% |
| St. Paul Jeremiah Neighborhood | | | -6.5% | | 1.10% | 5.83% |
| Minneapolis (city) Source: US Census Bureau, Zillow.com, NeighborhoodScout.com | 2.93% | 2.93% | | | 1.67% | 6.68% |
| St. Paul (city) Source: US Census Bureau, Zillow.com, NeighborhoodScout.com | 2.35% | 2.35% | | | 0.84% | 6.27% |
| Minnesota Source: US Census Bureau, Zillow.com, NeighborhoodScout. com | 3.15% | 3.15% | -2.7% | | 1.35% | 5.5% |
| USA Source: US Census Bureau, Zillow.com, NeighborhoodScout. com | | | | | | |



Median values based on tax valuations from the Counties' taxation departments shows a spike in values for all study neighborhoods before the recession in 2006. Minneapolis values have surpassed those peaks in 2018. St. Paul 2018 values have not yet reached the 2006 peak. Recent growth rates in Jeremiah Neighborhoods exceeds the rates of change in the Control Neighborhoods.

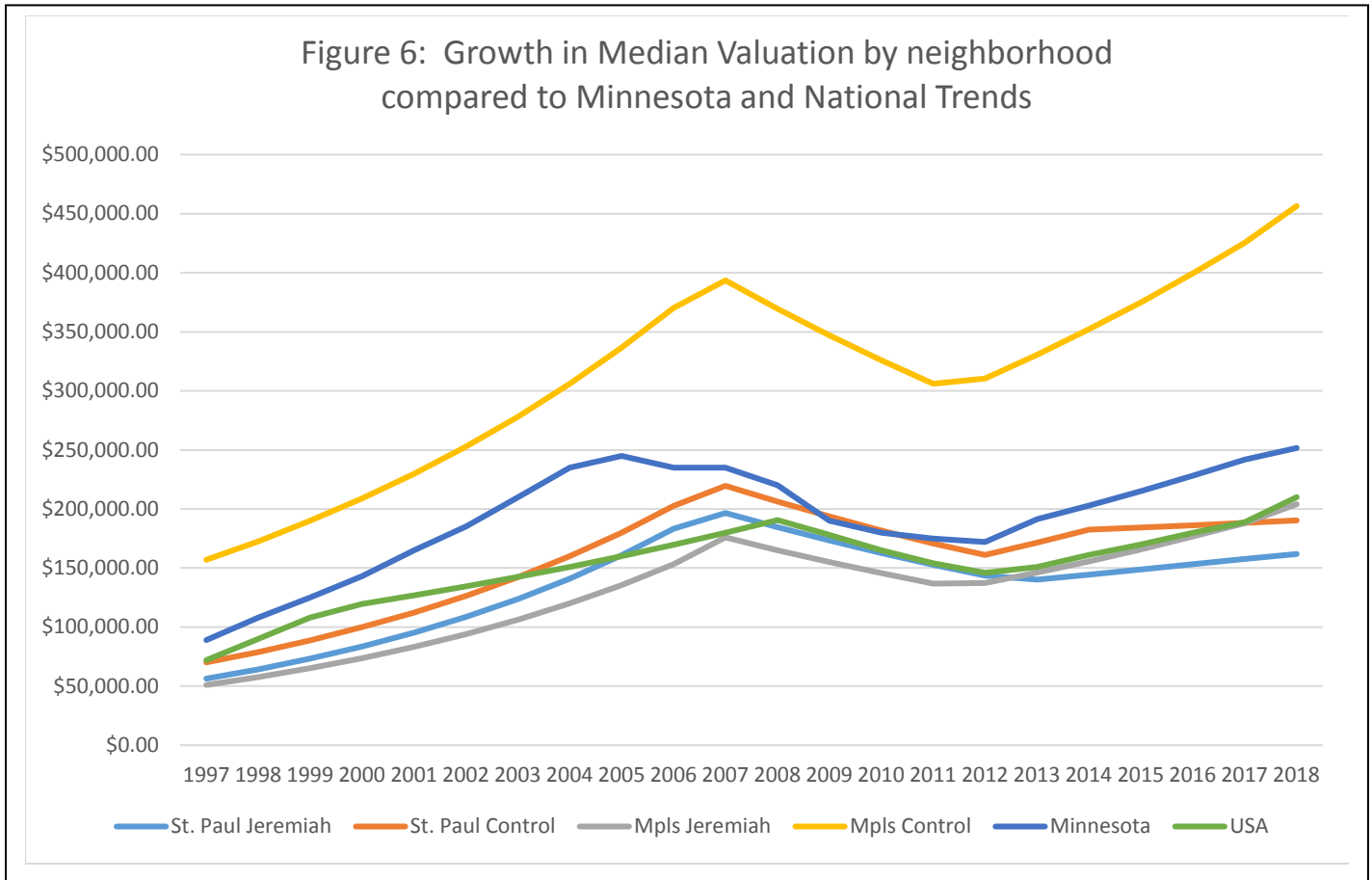


Figure 6 includes the median values depicted in Figure 5, with the addition of the state and national median values. Median values for the study neighborhoods do not show a consistent relationship with state and national trends. Generally, the study neighborhoods have a greater valuation than the national curve before and during the Recession. The Minnesota curve shows consistently higher valuation than the study neighborhoods with the exception of the Minneapolis Control Neighborhood.

Figure 7: Local, State, and National Median Home Values
2010-2018

Zillow.com

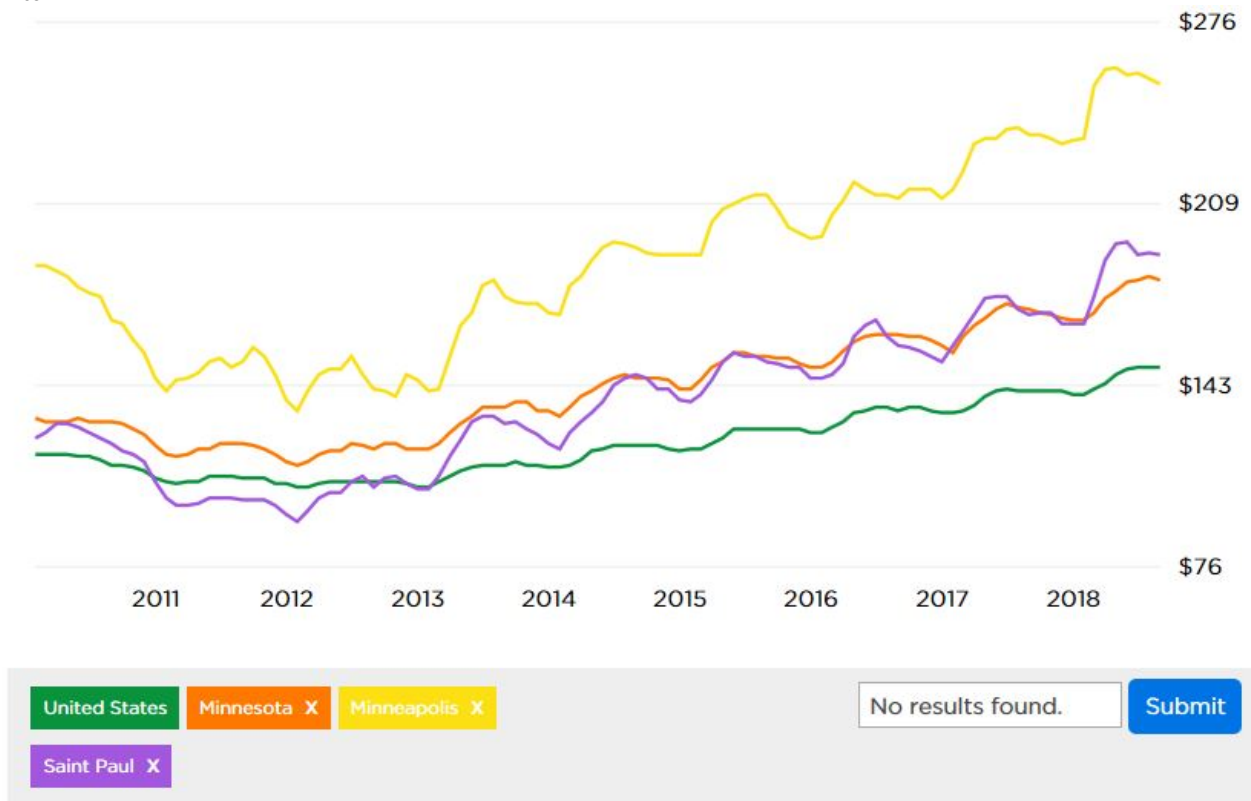


Figure 7 shows national and local trends generated from outside data. This chart shows citywide valuation averages for Minneapolis and St. Paul. Minneapolis has a higher valuation than St. Paul, Minnesota and the United States. St. Paul hovers around the statewide curve, and is consistently higher than the US values. St. Paul exhibits a steeper rate of change in most recent years compared to Minneapolis, Minnesota, and the United States.

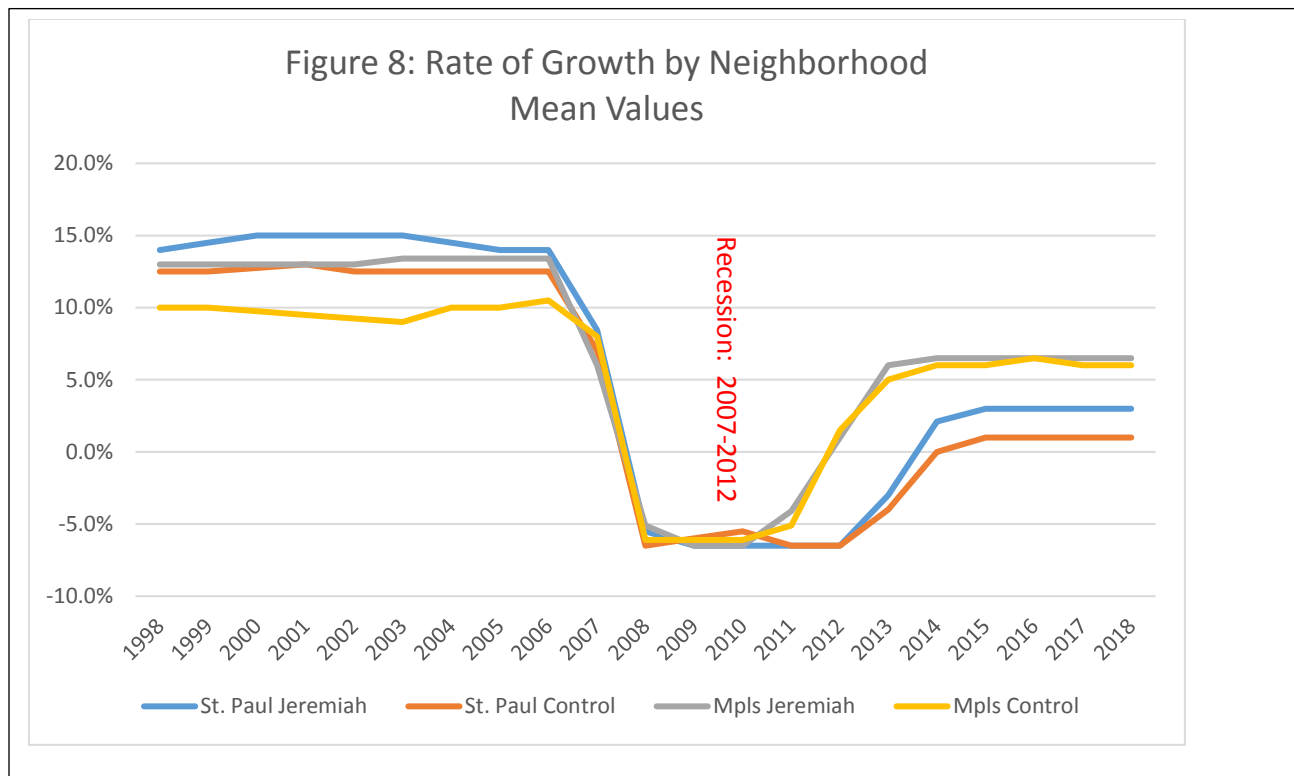


Figure 8 shows growth rates for the four study neighborhoods. The y axis shows annual rate of change instead of absolute market valuation. In the late '90s and '00s, all study neighborhoods had a steady rate of growth. All neighborhoods dropped precipitously in value during the Recession. However, for both cities, the Jeremiah Neighborhoods have had a higher growth rates than their Control Neighborhoods.

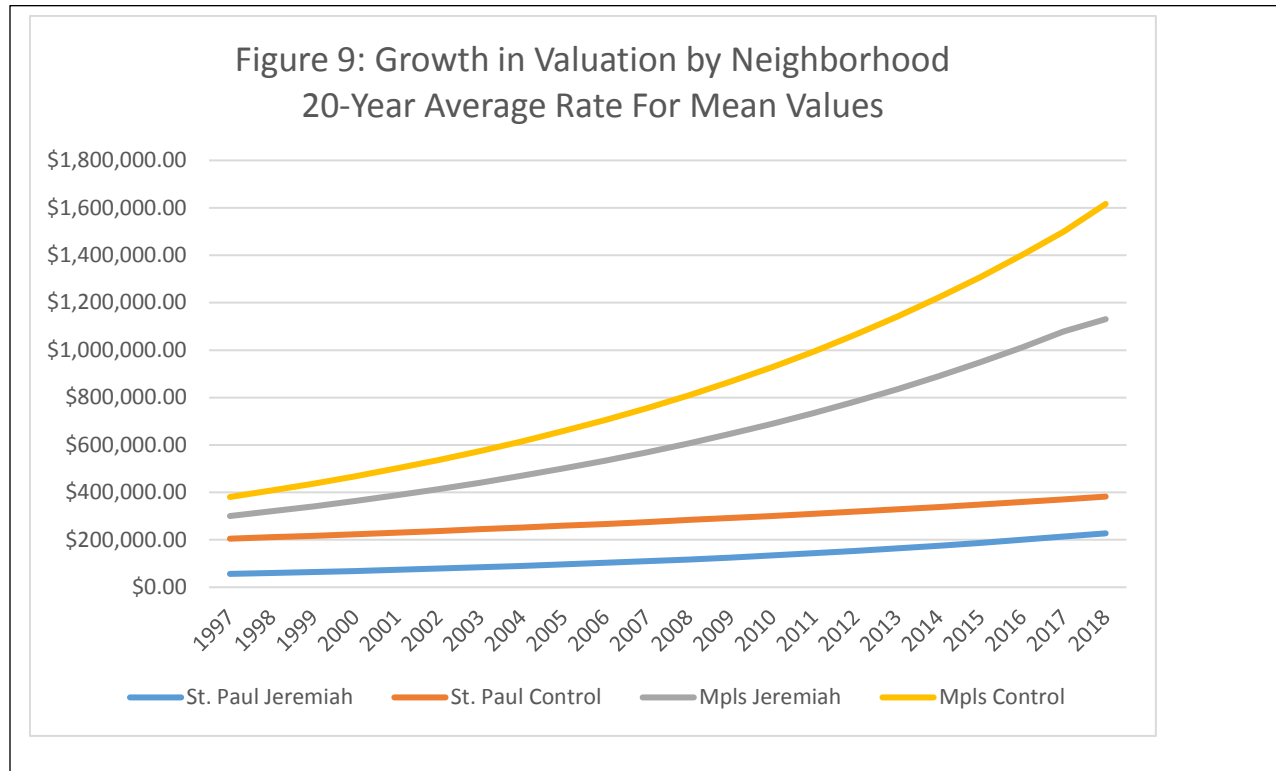


Figure 9 shows the higher valuations of both Minneapolis neighborhoods compared to St. Paul. For both cities however, they show higher valuation of the Control Neighborhoods over their respective Jeremiah Neighborhoods. However, the rate of change for Jeremiah Neighborhoods is greater than for control neighborhoods, particularly in the most recent years.

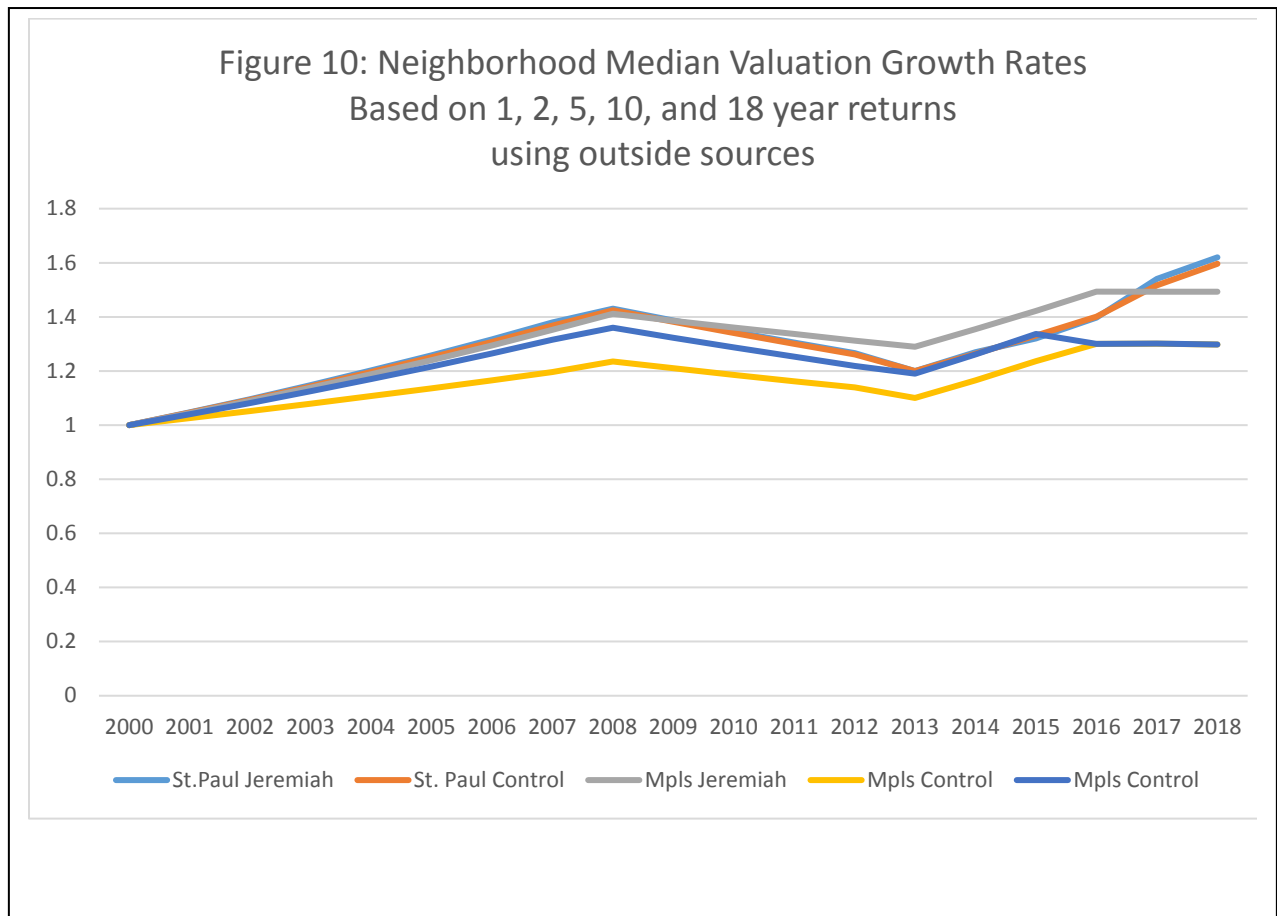


Figure 10 shows median growth rates from each census tract that comprise the study neighborhoods showing growth from the same hypothetical starting point. Note that two census tracts comprise the Minneapolis Control Neighborhood. In both cities, Control Neighborhood have lower growth rates than their Jeremiah neighborhood counterparts.

Summary of Results

- Both Jeremiah Neighborhoods show growth over the entire study period from 1998-2018.

- The presence of Jeremiah facilities appears not to have a negative impact on surrounding property valuation (Jeremiah Neighborhoods actually have higher valuation growth rates than their Control Neighborhoods)
- However, the Jeremiah Neighborhood in St. Paul showed a steeper decline in valuation during the recession than the Control Neighborhood indicating a slightly more reactive nature to market conditions.
- Both cities are experiencing similar valuation growth rates, but St. Paul has an approximately 0.75% lower valuation annual growth rate than Minneapolis for both Jeremiah and Control Neighborhoods over the entire study period.
- Since Control Neighborhoods have lower rates of annual valuation growth than Jeremiah Neighborhoods by the same amount in both cities, other factors such as different general market conditions between the two cities may be responsible for the difference.
- Neighborhood redevelopment may have a slight impact on property valuation, in that Minneapolis has aggressively promoted higher-end housing in Loring Park, while St. Paul has not had a comprehensive redevelopment strategy for Rondo.

At face value, the initial results indicate that the valuation of properties of the St. Paul Jeremiah Neighborhood had much a lower growth rate after the opening of the St. Paul campus in 2006 than their Minneapolis counterparts did after its 1997 construction. Many of the properties in Rondo in St. Paul actually demonstrated a net loss in value since the facility opening in 2006 (Minneapolis properties only demonstrated very modest average annual increases during this same time). This trend between the two cities was played out both between the Jeremiah Study Neighborhoods in the two cities and between the Control Neighborhoods in the two cities.

As discussed in the Methods section above, use of the Pre/Post approach introduces potential factors in the analysis that may need to be considered. As an example, all neighborhoods in either city saw steep increases in property values from 1998 to 2006 due to the market pressures of a strong real estate economy. The St. Paul Jeremiah campus opened at peak valuation just prior to the crash in real estate values that began in 2006-7, declining until 2012, as the Recession clearly had an impact on the results. The Minneapolis campus, on the other hand, opened in the late 1990s and surrounding property values enjoyed eight years of growth after that, until the crash. Therefore, Minneapolis properties show a higher post-Jeremiah opening valuation increase than St. Paul, most likely the results of the national economy rather than neighborhood influences. In this manner, a strict pre/post approach is not suitable.

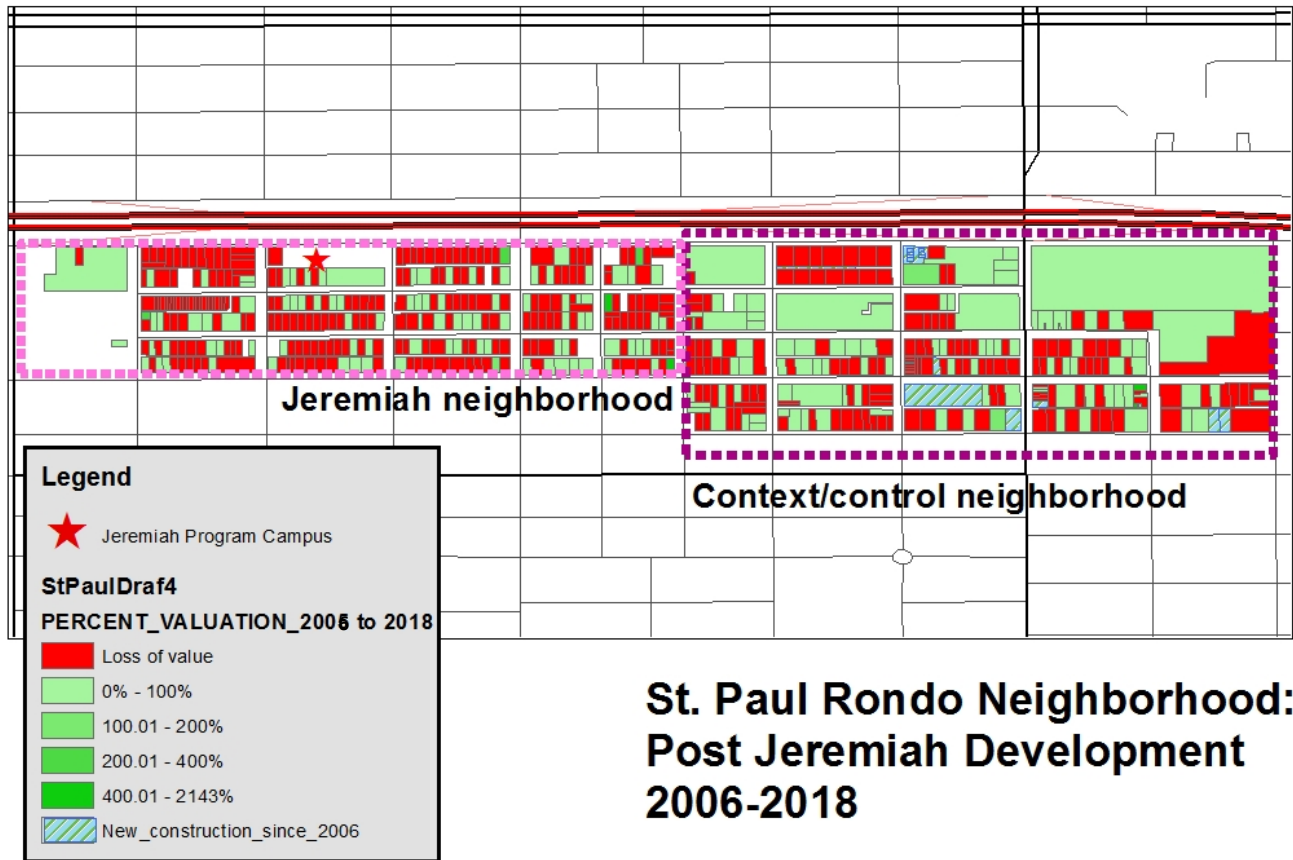


Figure 11 Property Valuation Growth Rates: 2006-2018, St. Paul

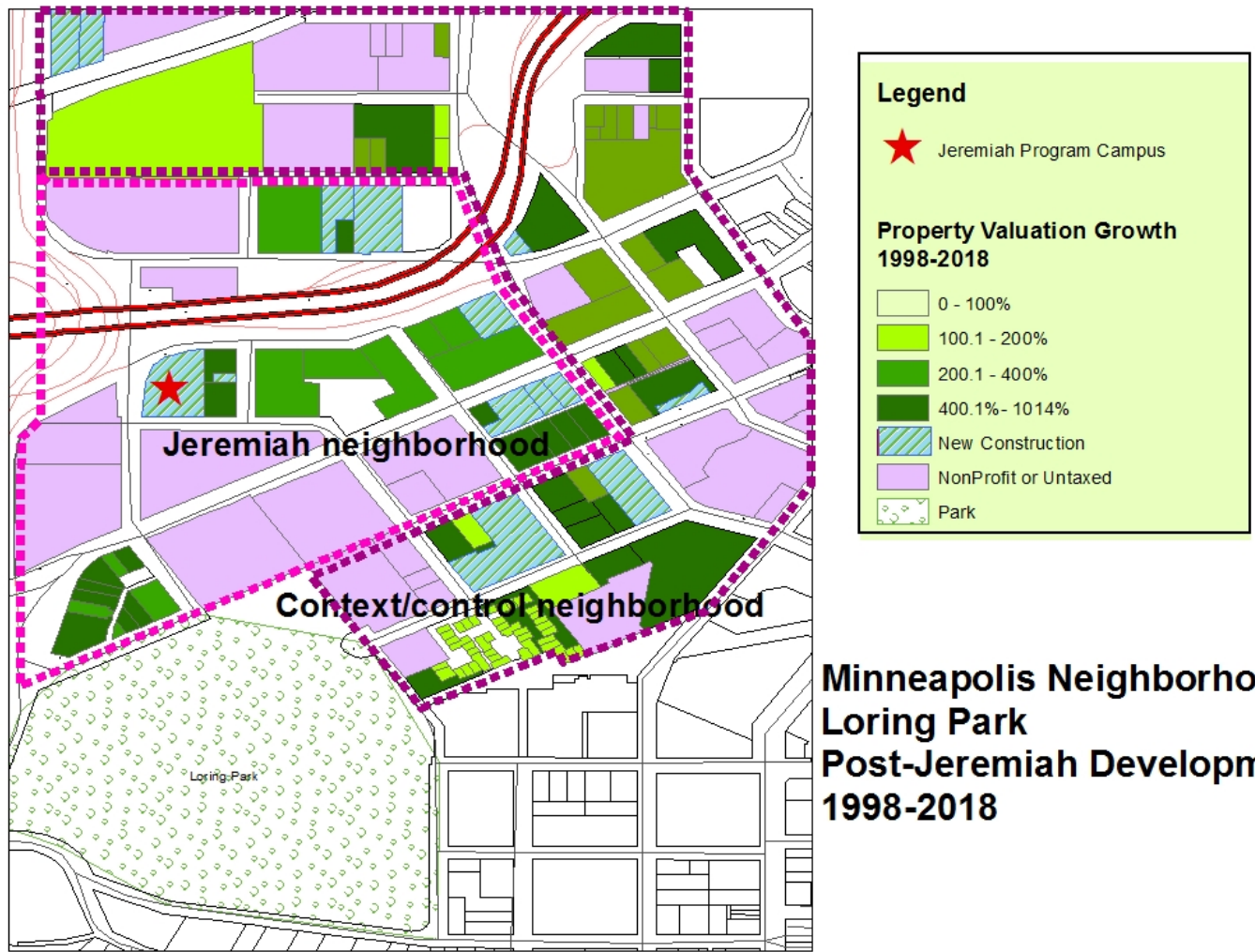


Figure 12: Post-construction Property Valuation Growth Rates: 1998-2018

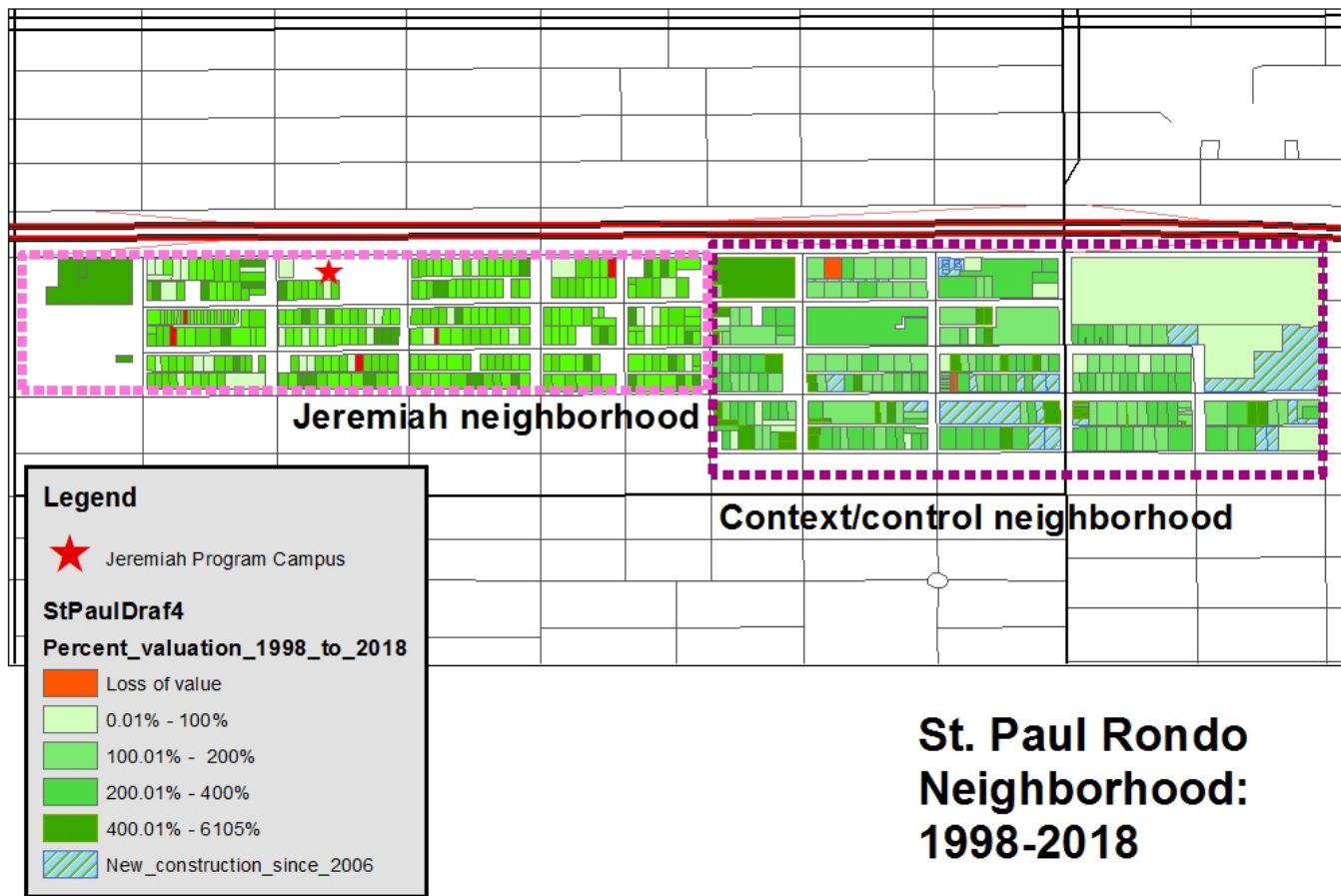


Figure 13: Entire Study Period Property Valuation Growth Rates: 1998-2018 St. Paul

Therefore, the following factors should be discussed that may influence property valuation:

- Inherent differences in valuation between the St. Paul real estate market and Minneapolis real estate market
- Inherent differences in valuation between neighborhoods based on proximity to positive features such as downtowns, and negative features such as freeways

- Temporal differences in the real estate markets at the time of development of each community. The Minneapolis facility opened in 1998—early in a period of great economic growth, and St. Paul was constructed in 2006, just prior to the real estate crash in the Twin Cities that preceded the Great Recession
- Neighborhood characteristics and their vulnerability to Jeremiah development (e.g. St. Paul single-family residential neighborhoods may be impacted by Jeremiah’s density more than the already-higher density Loring Park in Minneapolis)
- Different demographics with regard to variations in income, age, education

Use of Reported Median Home Values over Study Period to Verify Study Findings

The Great Recession impacted property values significantly within the greater Twin Cities. Property values peaked in 2007 for both of the greater cities at a median value of \$198,400 for St. Paul, and \$214,000 (Minnesota Public Radio News, 2017). Property values subsequently have not fully recovered in St. Paul and had a median value of \$184,000 in 2017. However, property values in Minneapolis have exceeded their 2007 peaks for the last two years with a 2017 median value of \$249,000. Median home values in the Jeremiah Neighborhood in St. Paul increased from a 1998 value of \$56,350 to \$196,600 in 2007, subsequently falling, and then recovering to \$161,750 in 2017 (187.05% net growth over the entire period from 1998 to 2018) based on Ramsey County valuation data. Median home values in the Control Neighborhood in St. Paul increased from \$70,150 in 1998 to \$219,600 in 2007, falling and then recovering to \$190,250 in 2018 (171.20% net growth) (Charts 1 through 4). The study neighborhoods do reflect the trend of St. Paul neighborhoods to not yet have recovered their 2007 median peak values. Meanwhile, the median values of homes in the Minneapolis Jeremiah Neighborhood have increased from \$51,000 in 1998 to \$204,000 in 2018 (300% growth rate). The median home values in the Minneapolis Control Neighborhood have increased from \$157,000 in 1998 to \$456,500 in 2018 (190% growth rate), with both demonstrating a higher rate of valuation growth than their St. Paul counterparts,

as corroborated by the Minnesota Public Radio study. Therefore, the neighborhood data follows trends provided by the collective outside data reported for the entire cities, and will be used to further explore temporal and spatial trends within the neighborhood (Charts 5 and 6).

Discussion

Geographic and Temporal Factors

Rates of valuation growth were compared between the two cities for the periods of 1998-2018 and 2014-2018 to see if the two cities showed a discernible baseline difference in valuation growth. These were the years for which County tax valuation data were available for both cities. For the entire study period from 1998-2018, the annual mean rates of growth between the *Control* Neighborhoods in each city differed by only one-half of one percent annually over the twenty-year period (7.1% St. Paul vs. 7.67% Minneapolis). This period includes pre- and post-development periods of the Jeremiah facility for both cities. For the entire study period, the annual mean rates of growth between *Jeremiah* Neighborhoods in each city differed by eight-tenths of one percent annually over the twenty-year period (7.5% St. Paul vs. 8.3% Minneapolis). This does not initially indicate a large difference in mean growth rates between the Jeremiah Neighborhoods in both cities. It should be noted that St. Paul growth rates lagged behind Minneapolis for both the Jeremiah Neighborhoods and the Control Neighborhoods—by a similar amount. Stated another way, the difference between St. Paul and Minneapolis Jeremiah Neighborhoods is comparable to the differences between the Control Neighborhoods. This may indicate that any reductions in growth for St. Paul property valuations may be area-based, versus more locally based or site-based, when viewing potential impacts of the Jeremiah facility on its environs. Consideration of the MPR findings also supports this.

For the period from 2014-2018, the Control Neighborhoods show annual growth rates of 4.3% for St. Paul and 7.0% for Minneapolis. The Jeremiah Neighborhoods demonstrated annual growth rates of 7.4% for St. Paul and

8.0% for Minneapolis. Firstly, the growth rate of the Control Neighborhoods is less than the Jeremiah Neighborhoods in both cities. This negates the hypothesis that transitional or supportive housing suppresses property values in either city. Secondly, the growth rates in the two Jeremiah Neighborhoods are within 0.6% of each other, and show stronger growth than the Control Neighborhoods. When the general market-based difference in valuation between St. Paul and Minneapolis is factored, the difference in growth rates is only approximately 0.2% between the two Jeremiah Neighborhoods. This leads to the possibility that the two campuses may have similar impacts on the valuations within their immediate neighborhood.

Findings from Galster support this trend in that transitional housing does not suppress proximal property valuation. A negative impact was found only within the following scenarios:

- smaller transitional communities of less than 25 dwelling units were added to a neighborhood,
- locations in very low-income, predominantly African-American communities
- locations in very high-income, single-family neighborhoods.

None of these conditions exist in either of the Jeremiah or Control Neighborhoods in either city. Further detailing of the ethnic demographic breakdown are provided in the next section.

Based on the valuation patterns observed in this study, and those investigated by others, the Great Recession impacted the valuations in all of the neighborhoods within this study. According to David Arbit, Director of Research and Economics for the Minneapolis Association of Realtors, (Minneapolis Star Tribune, 2015), property values peaked in August 2006 just prior to the Recession, but had rebounded to within 94% of that value at the end of 2015. Property values dropped from 2006 through 2011, by as much as 7.6% per year. (Twin Cities Business, 2015.). The rate of rebound has recently become disproportionately higher in St. Paul's poorest neighborhoods such as Frogtown, which abuts the St. Paul Control Neighborhood to the northeast. Growth rates from 2017-2018 approached 16.3% in Frogtown. St. Paul's affluent neighborhoods initially rebounded more quickly after the Recession, but poorer neighborhoods are now surpassing them (Twin Cities Pioneer Press,

March 21, 2018). Ramsey County lost about 25 percent of its market value during the Great Recession (Ramsey County Finance Director Lee Mehrkens interview, Pioneer Press, March 21, 2018). Lower income neighborhoods saw a much steeper drop in prices during the Recession, and took longer to recover. However as the pressure on the housing market increased in a recovering market, finding affordable housing became more challenging and put more market pressure on neighborhoods with cheaper housing stock (Pioneer Press, December 5, 2014). These trends are reflected in Charts 1 through 4.

Socio-economic Factors

Supportive or transitional housing is frequently built on sites that have lower development costs. This means that they may have a disproportionately higher presence in minority-occupied neighborhoods. However the distribution of supportive housing may actually be more uniform across ethnic (or Caucasian) neighborhoods regardless of differences in property values (Galster et. al., 1999). This pattern exists in lower-income neighborhoods due to cheaper land prices, less-organized political resistance, and a perception that locating supportive housing may be more proximal to residents' neighborhoods of origin. The implication is that transitional housing is frequently clustered in minority neighborhoods regardless of neighborhood income. Jeremiah St. Paul is located in Census tract 338 and in 2010 was approximately 48% white, and 39% African-American (American Fact Finder, US Census Bureau,) (Figures 1 and 4). Census tract 1502.01 in Minneapolis was approximately 82% white, and 4% black. This reflects a resurgence of gentrification in this part of Minneapolis and reduction in minority residents since the Jeremiah campus opened in 1998. At the time of development, the Minneapolis neighborhood may have shared some of the characteristics of the St. Paul neighborhood, but they have clearly diverged since the time when both cities had operational Jeremiah facilities in 2006.

The Equality of Opportunity Project (EOP) has mapped opportunity zones that are areas that have a significantly higher rate of upward mobility to achieve a higher level of income. Factors that vary geographically thereby contributing to this disparity are: segregation, income inequality, local school quality, social capital, and

family structure. (Business Insider website). One of the theses that the EOP advances is that constructing public housing in low-poverty areas has an enhanced capacity of improving neighborhood residents' lives. The EOP has mapped the entire country and identified census tracts that provide greater opportunities for low-income residents. Typically, these areas are located in higher-income areas. Specific parameters that the EOP includes in its mapping are household income, job growth rate, incarceration rate, school graduation rates, wages, hours worked, and teenage birth rates. Looking at one of the primary factors, household income, mapped in the EOP atlas below, there is a visible difference in this key parameter. This is indicated by the favorable blue tint

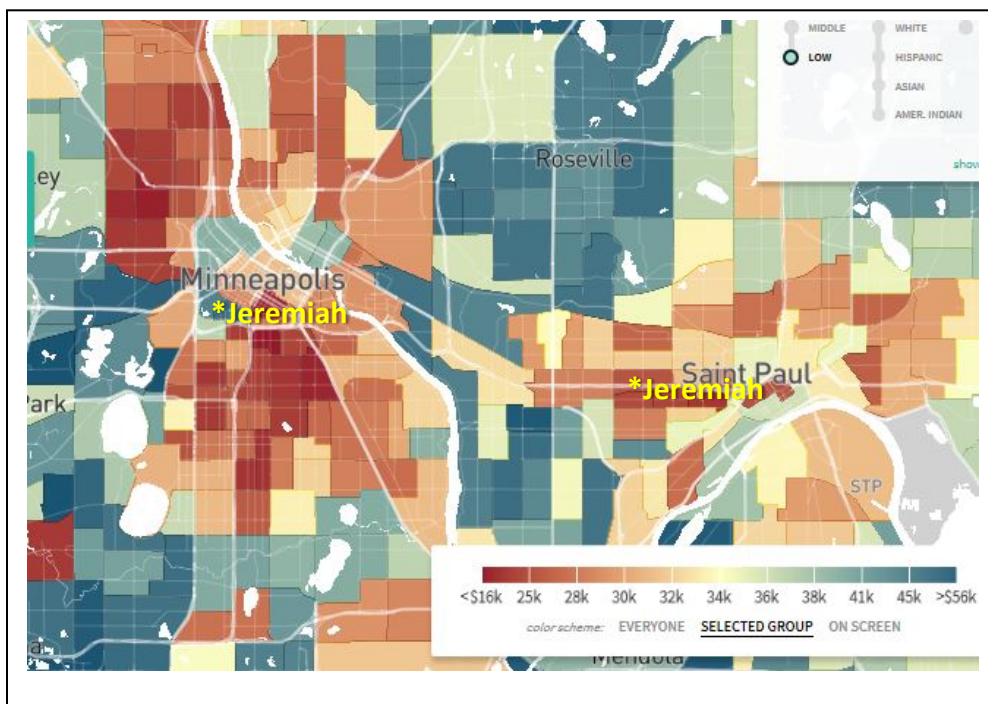


Figure 14: Opportunity Atlas: Mapping of Household Income

indicating higher incomes in Loring Park over the brown tint indicating the lower incomes of Rondo. Other factors demonstrate a similar pattern between the two campuses. The Opportunity Atlas may provide a strategy for the Jeremiah Program to seek neighborhoods that have been identified as providing higher opportunities. This is corroborated by the differing successes of its two campuses that are mapped in neighborhoods with very different level of opportunity. Since the valuation results demonstrated that the

presence of a Jeremiah facility does not impact neighborhood property values, this expands the potential location for future campuses. The program may select new sites based on its goals versus finding locations that offer less political resistance to the establishment of a transitional home.

The following factors should be considered in developing a strategy for working with communities in locating new facilities. By assuring that the following factors are addressed in Jeremiah's policies and their implementation is ongoing, Jeremiah has a suite of researched factors that help justify the lack of impact from their facilities on their environs.

Local, Maintenance, and Security factors

Galster et. al. results suggest that location, building and site design, tenant selection and allocation, existing supportive housing, and maintenance procedures mattered more for potential neighborhood spillover effects than the type of housing occupying a site. While this was not investigated as part of this study, inquiries to the Department of Licenses, Inspection, and Environmental Protection in St. Paul and the Department of Housing and Fire Inspections in Minneapolis did not reveal recorded violations or complaints for either property as of August 14, 2018. Both facilities were clean, well-maintained, and provided good "curb appeal" when visited in July 2018. Applicants to the program are screened, and expectations of behavioral conduct are made clear to residents. Security is present at both sites, and residents are expected to conform to curfew and check-in procedures.

Neither neighborhood has a preponderance of other supportive housing facilities within 4 blocks. This can be a factor that may affect neighborhood perceptions if a new transitional housing project may contribute to the perception of the neighborhood already being saturated with residents in transition (Galster, 1999).

Adamson also discusses other factors that may affect trends observed in their study. One of those is facility maintenance, appearance, and resident behavior. Facilities that provide good building and grounds maintenance, and closely monitor resident behavior tend to always have a positive impact on neighborhood valuation, regardless of whether they have more or less than 50 residents. Jeremiah Program provides residents with great freedom to leave campus for work and school, however, residents' activities are monitored within the building by well-staffed facilities, and all visitors are logged in by security staff. A protocol of maintaining a safe environment for everyone at the campuses may have a positive side benefit with regard to impacts to the neighborhood.

Size of facilities

Previous research indicates that the size of supportive or transitional housing may have an impact on neighborhood valuations. (Lyons and Loverage (1993) studied the impacts of four communities with 10 to 103 units each where federally-supportive buildings provided housing for physically disabled tenants in St. Paul, Minnesota. The results indicated that there was a negative impact from each handicapped apartment, but the size of the negative impact diminished with any increases in the number of units. They found that "an apartment with ten handicapped units within one-half mile of a single-family home reduced the assessed value of that home by a statistically significant \$1670; within one mile it reduced it by \$682. But, an apartment with one hundred handicapped units within one-half mile of a single-family home was estimated to *increase* the assessed value of that home by \$1,300; although within one mile it reduced it by \$1,600. The authors offered no explanation for these results". Adamson indicates that development of supportive housing typically does not negatively impact neighboring property values particularly for facilities housing 50 residents or more. Facilities smaller than 25 residents are more likely to depress valuation. Both St. Paul and Minneapolis campuses have 38 and 39 dwelling units respectively. The Furman Center for Real Estate and Urban Policy (New York University, October 2008), studied the real estate valuation impacts of 123 supportive housing communities in the five

boroughs of New York City. It also found that new supportive or transitional housing communities of a moderate size (48 units) is generally positive on properties with 500 feet. A statistically significant rise in neighboring property values was seen after facility opening compared to a control group. Properties located between 500 and 1,000 feet away, did demonstrate a statistically significant drop in value during construction of the campus and immediately after opening. This trend is reversed shortly after that as valuations show a steady relative gain in the years after completion. A 10-year research study publicized by Santa Clara County, California analyzing valuation impacts of 122 new low-income housing developments in San Jose showed that the value of homes within 2,000 feet of new supportive housing communities increased at the same rate as homes farther away (Santa Clara County, 2018)

City Redevelopment Strategies

The Cities of Minneapolis and St. Paul have had very different approaches to the redevelopment of the respective study neighborhoods. Minneapolis has had a planned, strategic approach to redevelopment of Loring Park that has been implemented through public incentives enabling the private sector. The majority of the properties in the Loring Park study area have already been redeveloped since the 1970s. Properties that have been redeveloped since 1998 are shown in Figures 2 and 3. This has had a positive impact on property valuation, and may account for the faster increase in valuation than that seen in Rondo in St. Paul. The City of St. Paul has not launched any comprehensive redevelopment approach for Rondo, as it has focused on the LRT Green Line corridor to the north, and the Summit-Grand corridor to the south (Personal conversation with St. Paul Planning and Economic Development staff, October 9, 2018). Since redevelopment may have an impact on property values, Jeremiah may want to target neighborhoods identified for redevelopment support from the public or private sector.

Neighborhood Amenities

Loring Park provides a much more stimulating, convenient, and entertaining setting in which to better one's life than the Rondo neighborhood. The Jeremiah Neighborhood in Loring Park has 6 restaurants and 1 grocer (Figure 2), while Rondo has none of either (Figure 3). The Loring Park Jeremiah Neighborhood has two technical colleges, Rondo has none. The presence of MCTC, MCAD, and Dunwoody Institute within walking distance to the Minneapolis Jeremiah campus makes education and self-betterment much more accessible than in St. Paul. While, as single parents, the residents may not be able to easily partake in the cultural offerings of Loring Park, it certainly provides a setting for growth and the feeling of being engaged by the city. Young adults that comprise the typical profile of Jeremiah residents do appreciate that vitality and may seek it out as a housing setting. The Loring Park facility is not afraid of identifying its role in the neighborhood and has a front side that opens and receives the activity that is concentrated to its south. The campus makes a statement not only to its neighborhood but also to its residents, by acknowledging the amenities to the south, encouraging interaction between them and Jeremiah residents.

Community Capitals

The potential impact that Jeremiah may have on nearby property valuations, and potential elevating impact that the neighborhood may have on Jeremiah can be explained within the Community Capitals Framework advanced by Flora and Flora (Flora, 2013). Capitals that are affected just by the presence of Jeremiah in the community are the human and built capitals. New Jeremiah facilities seek out sites with low development costs that may have dilapidated housing. By constructing a new facility in the neighborhood, an investment in built capital benefits everyone. The program also invests in human capital in a dual-generational basis. Jeremiah provides support for college education, training for life skills, empowerment, education and care for the mothers, and education and care for children. The program continues to promote these capitals by providing maintenance and security so that the facilities are good neighbors. However, by careful selection of sites that are in high-

opportunity neighborhoods, the program can increase capitals for its residents. In addition, by successful promotion of the positive impacts on valuation, the program can also select high-opportunity neighborhoods that provide the best chances for improving capitals for its stakeholders. For example, by selecting high-opportunity neighborhoods, Jeremiah will enhance the ability to increase not only built and human capitals for its stakeholders, but also financial, and political capitals. The better the program performs, the more likely its graduates will become economically, socially, and political skilled. Increasing those capacities may also increase financial capital. Locating in areas with increasing capitals will most likely increase capitals for the program. Empowering residents will increase support and political capital and the capacity to increase advocacy.

Conclusion

Contrary to popular belief, supportive housing does not have the negative impact on property valuation that is presumed by its detractors. Data from this investigation and others show that property valuation in the immediate neighborhood actually increased in value to a greater degree than in the control neighborhoods located more distant. By reviewing Jeremiah neighborhood trends, control neighborhood trends, and area-wide trends, it was possible to see what factors may have impacts on valuations, and if the presence of Jeremiah campuses may have influenced those valuations.

Not only did Jeremiah neighborhoods show stronger growth in valuation than their control neighborhoods, they also outperformed their cities in general too. This indicates that in the case of these two campuses that they do not have a negative impact on property values.

The potential impact that Jeremiah may have on nearby property valuations, and potential elevating impact that the neighborhood may have on Jeremiah can be explained within the Community Capitals Framework advanced

by Flora and Flora (Flora, 2013). Capitals that are affected just by the presence of Jeremiah in the community are the human and built capitals. By constructing a new facility in the neighborhood, an investment in built capital benefits everyone. The program also invests in human capital in a dual-generational basis. Jeremiah provides support for college education, training for life skills, empowerment, education and care for the mothers, and education and care for children. The program continues to promote these capitals by providing maintenance and security so that the facilities are good neighbors.

It is important for supportive housing communities to consider the factors that research indicates works best in locating new facilities. Previously, primary site selection criteria may have favored neighborhoods with lower acquisition and development costs, and providing locations close to their target neighborhood populations. These neighborhoods also may have been less well-organized politically and offered less NIMBY resistance making them more feasible for development. What research from this and other investigations has shown is that first, the location of supportive housing facilities does not impact adjacent property values negatively. This and other studies indicate that values may actually increase at a higher rate compared to similar areas without supportive housing. This is a key piece of information that supportive communities need to utilize in their approval process with neighborhoods, planning commissions, and city councils. By demonstrating that supportive housing communities are good neighbors, this frees up the communities to seek neighborhoods that would not only offer reduced resistance, but secondly, possess the characteristics that the community seeks out for its residents. These qualities are those of high opportunity neighborhoods as defined by the supportive housing organization. While they may have their own definition, using the parameters studied in The Opportunity Atlas certainly provides an assessment method that identifies neighborhoods that facilitates residents to overcome disadvantaged backgrounds. These high opportunity neighborhoods have been mapped in areas of both high income and low incomes. Parameters that are used in opportunity mapping include household income, graduation rates, incarceration rates, marriage rates, employment rates, and number of

weekly hours worked. By identifying these high opportunity areas that offer the greatest promise for Jeremiah's residents to succeed, the program can take an active, deterministic approach in providing a supportive neighborhood, and being able to defuse potential concerns about negative perceptions about property value impacts.

By careful selection of sites that are in high-opportunity neighborhoods, the program can increase capitals for its residents. Jeremiah will enhance the ability to increase not only built and human capitals for its stakeholders, but also financial, and political capitals. The better the program performs, the more likely its graduates will become economically, socially, and political skilled. Increasing those capacities may also increase financial capital. Empowering residents will increase political capital and the capacity to increase advocacy. In addition, as the program promotes its positive impacts on the neighborhoods that it inhabits, its own political capital is increased as well as that of the neighborhood.

REFERENCES

- Al-mosaind, Musaad, Dueker, Kenneth j. and. Strathman, James G Transportation Research Record 1400, Light-Rail Transit Stations And Property Values: A Hedonic Price Approach.
- Bankrate website, How a Neighborhood Holds Property Value, <https://www.bankrate.com/finance/real-estate/neighborhood-holds-property-value-1.aspx..>
- Boeckh, J., Dear, M.J., and Taylor, S.M., Property Values and Mental Health Facilities in Metropolitan Toronto, Canadian Geographer 24: 270-285 (1980).
- Boydell, Katherine, John Trainor and Anna Pierri. 1989. The Effect of Group Homes for the Mentally Ill on Residential Property Values. Hospital and Community Psychiatry. 40(Sept.): 957-958..
- Business Insider website, <https://www.businessinsider.com/income-inequality-upward-mobility-map-us-2018-2>, accessed September 12, 2018.
- Carroll, Thomas M; Clauretie, Mike. Transitory Effects Of Disamenities On Residential Housing Values: The case of public and senior housing Journal of Real Estate Portfolio Management; Boston Vol. 5, Iss. 3, (1999): 287-297).
- Colwell, Peter F., and Carolyn A. Dehring, and Nicholas A. Lash, The Effect of Group Homes on Neighborhood Property Values, Land Economics, November 2000.
- Cook, James. 1997. "Neighbors' Perceptions of Group Homes." Community Mental Health Journal 33 (4): 287-299).
- Dear, Michael, Impact of mental health facilities on property values, Community Mental Health Journal June 1977, Volume 13, Issue 2, pp 150–157.
- Fannie Mae Appraisal Report Guidelines, Neighborhood Section of an Appraisal Report, September 4, 2018,
- Fannie Mae Selling Guide, Part B: Origination Through Closing, B4-1.3-03: Neighborhood Section of the Appraisal Report Published September 4, 2018.
- Flora, Cornelia Butler and Flora, Jan L., Rural Communities, Westview Press, 2013.
- Furman Center for Real Estate and Urban Policy (), Real Estate Valuation Impacts Of 123 Supportive Housing Communities In The Five Boroughs Of New York City. New York University, October 2008.
- Galster, George, Kathryn Pettit, Peter A. Tatian, Anna M. Santiago, Sandra J. Newman, The Impacts of Supportive Housing on Neighborhoods and Neighbors in Denver, October 1999, The Urban Institute, Washington, D.C., prepared for U.S. Department of Housing and Urban Development.

Gooddale, T., and S. Wickware. 1979. "Group Homes and Property Values in Residential Areas.", Plan Canada 19 (2): 154-63).

Hargreaves, B., J. Callanan, and G. Maskell, 1998. "Does Community Housing Reduce Neighborhood Property Values?" Paper presented at AREUEA Annual Meeting, January 3, 1998; Chicago, IL.

Hennepin County Land Mapper website, <https://gis.hennepin.us/property/map/default.aspx>, accessed

Jeremiah Program website, jeremiahprogram.com, accessed October 3, 2018.

Iglhaut, Daniel M. 1988. The Impact of Group Homes on Residential Property Values. Upper Marlboro, MD: Prince George's County Government, Research and Public Facilities Planning Division.

Lindauer, Martin, Pauline Tung, and Frank O'Donnell. 1980. The Effect of Community Residences for the Mentally Retarded on Real Estate in the Neighborhoods in Which They Are Located. Brockport: State University of New York at Brockport.

Lyons, Robert and Scott Loveridge. 1993. A hedonic estimation of the effect of federally subsidized housing on nearby residential property values. Staff Paper P93-6. St. Paul, MN: Department of Agriculture and Applied Economics, University of Minnesota.

Martin, Judith and Lanegran, David, Where We Live, The Residential Districts of Minneapolis and St. Paul,, University of Minnesota Press, 1983.

Metropolitan Council, [https://metrocouncil.org/NewsEvents/Transportation/News-Articles/Development-along-Green-Line-soars-to-more-than-\\$4.aspx](https://metrocouncil.org/NewsEvents/Transportation/News-Articles/Development-along-Green-Line-soars-to-more-than-$4.aspx).

Minneapolis Star-Tribune, June 16, 2016, <http://www.startribune.com/affordable-housing-project-joins-construction-boom-along-st-paul-s-green-line-includes-more-affordable-housing/383299701/>.

Minneapolis Star Tribune interview published December 31, 2015.

MPF Research, RP Analytics, 2016.

Minnesota Public Radio News, 2017.

Opportunity Atlas website, opportunityatlas.org, accessed October 20, 2018.

Ramsey County land mapper website, <https://beacon.schneidercorp.com/application.aspx?app=RamseyCountyMN&PageType=Search>

Ryan, Carey S. and Coyne, Anne, Effects of Group Homes on Neighborhood Property Values, Mental Retardation Vol. 23, October 1983

Santa Clara County California Housing website, <https://www.sccgov.org/sites/yes/tools/Documents/Quick%20Tools%20Complete%20Toolkit%202018-05-30%20Version.pdf>

Twin Cities Business, March 30, 2011, Falling Twin Cities Home Prices Outpace U.S.

(Twin Cities Pioneer Press, March 21, 2018, *Ramsey County Home Values Are Up, and Apartment Values Are Way Up*. What That Means For You).

US Census Bureau website, Fact Finder, 2010 Census, factfinder.census.gov.

Wolpert, J., Dear, M., & Crawford, R. Satellite mental health facilities. *Annals, Association of American Geographers*, 1975,65, 24–35. (Reprinted in *Ekistics*, 1975,40, 240, 342–347.)